DIRECT TESTIMONY OF

KEITH C. COFFER, JR.

ON BEHALF OF

DOMINION ENERGY SOUTH CAROLINA, INC.

DOCKET NO. 2020-125-E

TABLE OF CONTENTS

I. INTRODUCTION AND WITNESS QUALIFICATIONS

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.

A. My name is Keith C. Coffer, Jr. My business address is 400 Otarre Parkway, Cayce, South Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Dominion Energy Southeast Services, Inc. and serve as the Controller of Dominion Energy South Carolina, Inc. ("DESC" or the "Company").

Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE.

A. I earned a Bachelor of Science degree in Business Administration from The Citadel in May 1992. After fulfilling a military training obligation, I joined the South Carolina State Auditor's Office as an auditor. In August 1995, I left this position to work with the public accounting firm of Hamilton, Schmoyer & Co. In July 1997, I accepted a position in SCANA's internal audit department and, in January 1999, I was promoted to Customer Billing Supervisor, where I was responsible for ensuring accurate billings to the Company's residential and commercial customers and ensuring the accuracy of accounting transactions within the billing cycle. In July 2000, I was promoted to Supervisor of Property Accounting, where I was responsible for accounting for DESC's fixed assets. I was promoted to Assistant Controller of DESC in October 2002. In January 2014, I was promoted to Director of Accounting and Financial Reporting and was promoted to my current position in December 2019. My responsibilities include ensuring that all business transactions are accounted for in accordance with applicable accounting principles and that the Company maintains an adequate system of internal accounting controls. I am a certified public accountant in South Carolina.

Q. HAVE YOU EVER TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION") IN THE PAST?

A. Yes, I have testified before this Commission in past proceedings.

II. SCOPE OF TESTIMONY AND IDENTIFICATION OF EXHIBITS

Q. PLEASE DESCRIBE THE SCOPE OF THE TESTIMONY YOU ARE PRESENTING IN THIS CASE.

A. In connection with its Application for Adjustments and Increases in Electric Rates and Charges ("Application"), the Company included certain exhibits containing financial information. In this testimony, I discuss a number of those exhibits and ask the Commission to incorporate the Application into the record of these proceedings. I further discuss a number of accounting pro forma adjustments contained in those exhibits in support of the Company's Application. Company Witness Kochems will testify about the remaining pro forma adjustments contained in the exhibits to the Company's Application.

Q. HOW ARE THE BOOKS AND RECORDS OF THE COMPANY MAINTAINED?

A. The books and records of the Company are maintained in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with the Uniform System of Accounts for major utilities as prescribed by the Federal Energy Regulatory Commission ("FERC"). This Uniform System of Accounts has been adopted by the Commission and is followed by major utilities subject to its jurisdiction. Compliance with GAAP and the Uniform System of Accounts is necessary in order to provide consistent and pertinent financial information to the general public, investors, regulators, and the financial community.

Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT ITS BOOKS AND RECORDS ARE ACCURATE AND COMPLETE?

A. The Company maintains and relies upon an extensive system of internal accounting controls, audits by both internal and external auditors, and financial oversight by the Board of Directors. The system of internal accounting controls is designed to provide reasonable assurance that all transactions are properly recorded in the books and records and that assets are protected against loss or unauthorized use. Each year, management documents DESC's internal controls over financial reporting and performs testing to be able to provide an assessment in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. No material weaknesses in

DESC's controls have been identified as a result of the management assessment process.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-l), WHICH IS ALSO EXHIBIT NO. C-1 OF THE APPLICATION.

A. Exhibit No. __ (KCC-l) consists of 52 pages and includes the Condensed Consolidated (Regulatory Basis) Balance Sheet for DESC as of December 31, 2019, and the Condensed Consolidated Income Statement (Regulatory Basis) for the twelve months ended December 31, 2019, based on the Company's FERC Form No. 1 filing. I note that included within Accounts Payable – Affiliated Companies is $355 million in short-term borrowings due to Dominion Energy, Inc. under an inter-company credit agreement. Consistent with similar financial statements previously filed with this Commission, these regulatory basis financial statements exclude the accounts of South Carolina Generating Company, Inc. ("GENCO").

Q. PLEASE DESCRIBE PAGE 1 OF 4 OF EXHIBIT NO. __ (KCC-2), WHICH IS ALSO PAGE 1 OF 4 OF EXHIBIT C-2 OF THE APPLICATION.

A. Page 1 of 4 of Exhibit No. __ (KCC-2) is an analysis of the Company's total electric operating experience that identifies operating revenues and expenses, income for return, original cost rate base, and rate of return for the twelve months ended December 31, 2019 (the historical "Test Year").

Column 1 provides a description of the items included in determining income for return and original cost rate base.

Column 2 presents the "regulatory per books" amounts used to determine income for return and original cost rate base for the Test Year.

Column 3 summarizes the Company's accounting and pro forma adjustments that are necessary to reflect known and measurable changes to the results of the Company's electric operations for the Test Year. The detail for each pro forma adjustment by line item is listed on pages 3 and 4 of Exhibit No. __ (KCC-2) and on pages 3 and 4 of Exhibit C-2 of the Application, and the totals of such adjustments are provided on page 4 of 4 of Exhibit No. __ (KCC-2) and page 4 of 4 of Exhibit C-2 of the Application.

Column 4 presents the results of the Company's total electric operations as adjusted for the accounting and pro forma adjustments.

Page 2 of 4 of Exhibit No. __ (KCC-2) shows the retail electric results of operations after adjustments (column 2), as well as those results after application of the proposed revenue increase (columns 3 and 4).

Q. PLEASE EXPLAIN THE DERIVATION OF THE RATE OF RETURN ON ORIGINAL COST RATE BASE THAT APPEARS ON PAGE 2 OF 4 OF EXHIBIT NO. __ (KCC-2), WHICH IS ALSO EXHIBIT C-2 PAGE 2 OF 4 OF THE APPLICATION.

A. On page 2 of 4 of Exhibit No. __ (KCC-2), the total income for return on line 12 is divided by the total original cost rate base reflected on line 22 to derive the rate of return on original cost rate base as reflected on line 23. This exhibit shows that the Company earned 6.16% on rate base during the Test Year, which equates to a return on common equity ("ROE") of 5.90% (see Exhibit No. __ (KCC-7)) compared to the authorized ROE of 10.25%. The Company would have earned 8.48% on rate base if the proposed revenue increase and the accounting and pro forma adjustments had been considered, which equates to an ROE of 10.25% as is set forth in the Company's Application.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-2 SUPPLEMENTAL), WHICH IS SUPPLEMENTAL EXHIBIT C-2 THAT WAS PROVIDED TO THE COMMISSION AFTER THE APPLICATION WAS FILED.

A. In response to Standing Hearing Officer Directive Order No. 2020-78-H, DESC provided Supplemental Exhibit C-2 to the Commission on August 20, 2020. This supplemental exhibit provides the same type of information provided in Exhibit C-2 pages 1, 3, and 4, but on a retail electric basis instead of a total electric operations basis. Note that the total as adjusted amounts shown in Supplemental Exhibit C-2, page 1, column 4 agree to the Retail as Adjusted amounts in Exhibit C-2, page 2, column 2. Page 2 of Exhibit C-2 is more fully described above.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-3), WHICH IS ALSO EXHIBIT C-3 OF THE APPLICATION.

A. Exhibit No. __ (KCC-3) shows the computation of the proposed revenue increase and serves to reconcile the components of the increase by showing the impact of taxes and customer growth. The computation here details the 8.48% return seen on Exhibit No. __ (KCC-2), page 2 of 4.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-4), WHICH IS ALSO EXHIBIT C-4 OF THE APPLICATION.

A. Exhibit No. __ (KCC-4) is the Company's Statement of Fixed Assets for Electric Operations as of December 31, 2019. This statement details gross Plant in Service and Construction Work in Progress ("CWIP") by FERC functional classification identified in **Column 1**.

Column 2 includes the amounts recorded on the books and records of the Company as of December 31, 2019.

Column 3 summarizes the accounting and pro forma adjustments that impact Plant in Service and CWIP as detailed in Exhibit No. __ (KCC-2) pages 3 and 4 and Exhibit C-2 pages 3 and 4 of the Application.

Column 4 shows the balances after including the effects of the adjustments identified in Column 3.

Column 5 contains the amount of adjusted gross Plant in Service and CWIP allocated to retail electric operations.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-5), WHICH IS ALSO EXHIBIT C-5 OF THE APPLICATION.

A. Exhibit No. __ (KCC-5) is the Company's Statement of Depreciation Reserves for Electric Operations as of December 31, 2019. It should be noted that for purposes of presentation on this exhibit, reserves associated with intangible plant have been included with general plant reserves on line 4 of the exhibit.

Column 2 shows the Depreciation Reserve amounts recorded on the Company's books by FERC functional classification as described in **Column 1**.

Column 3 summarizes the adjustments to Depreciation Reserves as detailed in Exhibit No. __ (KCC-2) pages 3 and 4 and Exhibit C-2 pages 3 and 4 of the Application.

Column 4 shows the balances after including the effects of the adjustments identified in column 3.

Column 5 is the amount of Depreciation Reserves allocated to retail electric operations.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-6), WHICH IS ALSO EXHIBIT C-6 OF THE APPLICATION.

A. This exhibit shows the balances of fuel stock, emission allowances, materials and supplies, certain deferred debits and credits, and working capital before and after the effects of the accounting and pro forma adjustments.

Q. PLEASE DESCRIBE EXHIBIT NO. __ (KCC-7), WHICH IS ALSO EXHIBIT C-7 OF THE APPLICATION.

A. This exhibit shows the components of DESC's retail electric pro forma regulatory capitalization and the computation of its weighted average cost of capital as of December 31, 2019, the end of the Test Year, both before and after consideration of the requested increase in revenues. Please note however that the common equity balance has been adjusted to reflect changes through May 31, 2020. As shown here, the ROE for the Test Year, after accounting and pro forma adjustments, was 5.90%. In deriving a reasonable return on rate base, the Company has used an ROE of 10.25%, which is the ROE requested by the Company in the Application.

III. ACCOUNTING AND PRO FORMA ADJUSTMENTS

Q. PLEASE LIST THE ACCOUNTING AND PRO FORMA ADJUSTMENTS THAT YOU WILL DISCUSS IN THIS PREFILED TESTIMONY.

A. The accounting and pro forma adjustments that I will discuss are identified below. The adjustment numbers coincide with the numbers on pages 3 and 4 of Exhibit No. __ (KCC-2) and pages 3 and 4 of Exhibit C-2 of the Application. The page number directs your attention to the page in this testimony where my discussion of a particular adjustment is located.

Adj. No.	Pro Forma Adjustment Description	Pg.
1.	Annualize Wages, Benefits, and Payroll Taxes	13
3.	Annualize Health Care	13
4.	Remove Employee Clubs Investment and Expenses	13
5 & 6	Adjust Depreciation Expense	13
7	Annualize Property Taxes	15
8	Annualize Insurance Expense	15
11	Annualize Other Post-Employment Benefits (“OPEB”)	15
13	Remove Savannah River Site (“SRS”) Refund Reversal Impact from Revenue	16

Adj. No.	Pro Forma Adjustment Description	Pg.
14	Normalize Test Year Purchase Power from GENCO	16
15	GENCO Excess Deferred Income Taxes	16
19	Storm Remediation Cost Deferral	17
20	Storm Damage Remediation Rider Reinstatement	18
21	Tree Trimming and Vegetation Management Accrual	19
22	Turbine Major Maintenance Accrual	20
23	VCS Outage Accrual	20
25	Adjust Test Year Taxes	22
27	Amortize Capacity Purchases	22
28	Environmental Compliance Study	23
29	KapStone Gain	23
30	Critical Infrastructure Protection Costs Deferral	24
31	Fukushima Nuclear Regulatory Commission Requirements Deferral	25
32	VCS Cyber Security Deferral	25
34	Amortization of Columbia and Charleston Franchise Agreements	26
35	Unrecovered Plant Amortization	26
37	Local Business Offices	27
38	Rate Case Expenses	27

In all cases, the entries reflect amounts related to total electric operations, and tax, working cash, and other adjustments associated with these pro forma adjustments have been made.

The pro forma adjustments all follow established rate making and accounting policies as recognized by this Commission and are necessary to create a proper determination and calculation of DESC's rate base, revenues and expenses for rate making purposes. The Commission historically has permitted known and measurable changes in rate base items, revenues, and expenses to be made as pro forma adjustments to historical Test Year information for purposes of rate adjustment proceedings.

Q. PLEASE DESCRIBE THE ADJUSTMENTS.

A. **<u>Adjustment No. 1, Annualize Wages, Benefits, and Payroll Taxes.</u>** This pro forma adjustment decreases the Test Year wages, benefits, and payroll taxes to reflect the current level of expense as of March 2020. Adjustments of this nature have been pro forma adjustments in the Company's electric rate cases in the past. The effect of this adjustment is to decrease Operations and Maintenance ("O&M") expenses by $1,252,809 and other taxes (specifically payroll taxes) by $88,226.

<u>Adjustment No. 3, Annualize Health Care.</u> This adjustment annualizes healthcare costs to reflect the level of cost incurred in the last quarter of the Test Year. The result is an increase in Test Year O&M expenses of $3,129,101.

<u>Adjustment No. 4, Remove Employee Clubs Investment and Expenses.</u> This pro forma adjustment removes from rate consideration the investment and expenses related to employee clubs (Pine Island Club, Sand Dunes Club, and Misty Lake Club). The effect of this adjustment is to lower common plant in service by $5,601,364, depreciation reserves by $2,486,521, and depreciation expense by $136,956.

<u>Adjustment Nos. 5 and 6, Adjust Depreciation Expense.</u> These pro forma adjustments reflect two different adjustments to Test Year depreciation expense.

Consistent with prior practice authorized by the Commission, the Company is making an adjustment to increase depreciation expense by $8,340,028 and depreciation reserves by $7,851,808 to provide for the recognition of a full year of depreciation at the currently approved (prior to new depreciation study) depreciation rates, after consideration of plant additions and retirements through March 31, 2020.

The Company is also making an adjustment based on a recently conducted Depreciation Study. To ensure that its depreciation expense and related accumulated depreciation reserves are at appropriate levels and in keeping with sound accounting practices, DESC initiates a Depreciation Study on a periodic basis. Historically, the Company has conducted a Depreciation Study approximately every five years. In 2019 DESC commenced a new Depreciation Study using electric and common plant balances as of December 31, 2018 ("2018 Depreciation Study"). DESC's most recent previous Depreciation Study was based on electric and common plant balances as of December 31, 2014. The results of the study indicate an increase to annual depreciation expense and are explained in detail in the pre-filed direct testimony of Company Witness Spanos. The Company is making an adjustment to increase depreciation expense and reserves by $7,119,883 to provide for the recognition of a full year of depreciation at the proposed rates determined by the 2018 Depreciation Study.

The total impact of these two adjustments is to increase Test Year depreciation expense by $15,459,911 and increase depreciation reserves by $14,971,691.

<u>Adjustment No. 7, Annualize Property Taxes</u>. This pro forma adjustment adjusts property taxes to reflect assessable plant in service amounts as of the end of March 31, 2020, to include the effects of plant additions and retirements occurring after the end of the Test Year through March 31, 2020. The result of this entry increases taxes other than income taxes for the Test Year by $14,256,553.

<u>Adjustment No. 8, Annualize Insurance Expense</u>. This pro forma adjustment decreases O&M expenses by $1,769,790 to annualize the current cost of premiums for policies that were in effect as of March 31, 2020.

<u>Adjustment No. 11, Annualize Other Post-Employment Benefits (“OPEB”)</u>. This pro forma adjustment annualizes the electric O&M portion of the Company’s expenses for OPEB to match the amounts required to be accrued for these future expenses under the Company’s actuarial study. In addition, this adjustment for OPEB expense requires a related adjustment to rate base. The effect of this adjustment is to increase expenses for the Test Year by $263,954 and to decrease rate base by $198,097.

Adjustment No. 13, Remove Savanah River Site ("SRS") Refund Reversal Impact from Revenue. This adjustment removes from Test Year revenue the effect of the reversal of a prior period refund reserve related to the Company's operations and maintenance agreement of certain transmission facilities at SRS. The effect of this adjustment decreases Test Year revenue by $900,259 and gross receipts taxes by $4,491.

Adjustment No. 14, Normalize Test Year Purchase Power from GENCO. As a result of an April 28, 2020 FERC-approved modification to GENCO's formula rate due to tax reform, DESC's purchased power from GENCO is expected to be lower than Test Year levels going forward. In addition, the Company is normalizing (lowering) Test Year purchased power expense to reflect the capitalization structure in effect at GENCO as of December 31, 2019. This adjustment reflects the full-year impact on the GENCO bill of a $230 million inter-company advance to GENCO from Dominion Energy, Inc. that served to increase the debt ratio and lower the equity ratio. The combined effect of these entries reduces Test Year purchased power expense by $12,646,810.

Adjustment No. 15, GENCO Excess Deferred Income Taxes. By order dated April 28, 2020, the FERC authorized modifications to GENCO's formula rate to provide for the pass through of GENCO's amortized excess deferred income tax ("EDIT") liabilities to DESC. Accordingly, in April 2020, GENCO began passing these amounts through to DESC. In order to ensure that DESC's customers receive the full benefit of the amortization of GENCO's EDIT liabilities, DESC has recorded the impact of these amounts as a regulatory liability. DESC is proposing to flow these benefits, plus accrued carrying cost credits, to its customers over a three-year period. GENCO's actual fuel costs are recovered by DESC through DESC's fuel component of retail rates. However, GENCO's "non-fuel" expenses are recovered by DESC as purchased power through base rates. Therefore, this pro-forma adjustment is necessary to capture these benefits in DESC's base rates. The effect of this adjustment is to decrease Test Year purchased power expense by $1,853,763 and decrease rate base by $2,782,499.

Adjustment No. 19, Storm Remediation Cost Deferral. Pursuant to Commission Order No. 2010-471 issued in Docket No. 2009-489-E, collections under the Company's storm damage rider were suspended. In Order No. 2012-951 issued in Docket No. 2012-218-E, the Commission ordered the indefinite suspension of the storm damage rider. Since the suspension of the storm damage rider, the Company has exhausted its previously recognized storm damage reserve regulatory liability balance, representing rider recoveries that had not been applied to offset storm damage remediation costs. In fact, the Company now has a regulatory asset, totaling $43,899,686 as of June 30, 2020, representing unrecovered storm damage remediation costs in excess of previous rider recoveries. In accordance with the after the fact recovery of storm damage response and restoration costs contemplated in Commission Order No. 2012-951, the Company is seeking to recover these deferred storm damage remediation costs over a five-year period. This five-year period aligns closely with the time period that the balance has accumulated after the previous reserve balance was exhausted in 2016. The effect of this adjustment is to increase Test Year O&M expenses by $8,779,937 and to increase rate base by $26,357,372.

Adjustment No. 20, Storm Damage Remediation Rider Reinstatement. As discussed in the pre-filed direct testimony of Company Witness Kissam, the Company is seeking to reinstate the storm damage remediation rider to be available to offset future incremental storm restoration and response costs in excess of $2.5 million in a given calendar year. In this sense, the $2.5 million will serve as a "deductible" to be absorbed by the Company and is consistent with prior practice. The effect of this adjustment is to increase Test Year O&M expenses by $9,839,863 and is based off the average incremental storm restoration costs for the five-year period ended December 31, 2019. This adjustment also necessitates a decrease to rate base, reflecting the establishment of a regulatory liability for rider collections, of $7,384,817.

As part of this request, in the event that incremental storm costs exceed the balance in the reserve, the Company is seeking Commission authorization to defer those costs as a regulatory asset and to treat that regulatory asset as a component of the Company's rate base. Future rider recoveries will be applied to reduce the regulatory asset balance until such balance is eliminated, at which time the rider recoveries will again begin increasing the reserve balance.

Adjustment No. 21, Tree Trimming and Vegetation Management Accrual. As discussed in the pre-filed direct testimony of Company Witness Kissam, the Company is requesting Commission authorization to establish a tree trimming and vegetation management accrual. The effect of this accrual seeks to levelize tree trimming and vegetation management costs and customer collections over the average five-year operating cycle the Company seeks to maintain for these activities and would operate similarly to the Company's existing turbine major maintenance accrual. Since the five-year operating cycle results in the Company incurring higher costs in some years and lower costs in other years, this accrual levelizes the costs over the five-year operating cycle and allows for a better matching of associated costs and customer collections (revenue). If approved, any difference between accrued amounts and actual costs incurred will be deferred as a regulatory asset (undercollection) or regulatory liability (overcollection) as appropriate. Since actual expenses will vary from estimates, the Company would expect there to be an undercollection or overcollection at the end of the five-year period. Any undercollected or overcollected balance at the end of the five-year accrual period would be considered in setting the accrual for the subsequent five-year operating cycle. The result of this adjustment is an increase in Test Year O&M expenses of $3,519,375.

Adjustment No. 22, Turbine Major Maintenance Accrual. Through Orders No. 2005-2, 2010-471, and 2017-447, the Commission authorized the use of a turbine generator maintenance accrual associated with Wateree, Williams, McMeekin, Cope, Urquhart, and Jasper Stations. In Order No. 2019-393, the Commission authorized the inclusion of DESC's recently acquired Columbia Energy Center facility as part of this accrual. Under this accrual mechanism, the Company levelizes the accrual and customer collections for turbine maintenance expenditures over an eight-year operating cycle. Differences between actual expenditures incurred and accrued amounts are deferred as either a regulatory asset (undercollection) or regulatory liability (overcollection) as appropriate. As discussed in the pre-filed direct testimony of Company Witness Kissam, the Company is seeking to extend this maintenance accrual for another eight-year cycle. Based on the projected December 31, 2020 existing accrual undercollected regulatory asset balance of $11,981,766 and projected expenditures for the eight-year operating cycle covering January 1, 2021, through December 31, 2028, the Company is proposing an annual accrual amount of $29,052,493. The effect of this adjustment is to increase Test Year O&M expenses by $10,616,708.

Adjustment No. 23, VCS Outage Accrual. V.C. Summer Station is subject to recurring refueling outages on an 18-month cycle. In Order No. 2012-951 issued in Docket No. 2012-218-E, the Commission approved a five-outage cycle (or 90 months) accrual mechanism. This five-outage cycle covered activities through refuel outage No. 25, which occurred in the spring of 2020. At the conclusion of the outage accrual cycle, which went through June of 2020, the Company had a cumulative undercollected balance of $3,156,176 representing actual cumulative outage costs in excess of the cumulative accruals. By letter dated July 27, 2020, the Company requested Commission authorization to maintain its accrual at the current level and address the accrual mechanism in its next general rate proceeding. On August 18, 2020, the Commission issued a Directive in Docket No. 2020-172-E approving the Company's request. In furtherance of that request, the Company is seeking to extend the nuclear outage accrual for another five-outage cycle, which would include refuel outages 26 through 30, covering the period beginning July 2020 and extending through December 2027. The beginning undercollection of $3,156,176, in addition to estimated costs for refueling outages 26 through 30 of $126,247,390, is incorporated into the new accrual amount. Also, in estimating the necessary adjustment, the Company has considered the monthly accruals that will continue under the existing accrual. Since outages occur on an 18-month cycle and particular outage costs vary based on the scope of work to be completed during a particular outage, the five-cycle accrual mechanism benefits customers by levelizing outage costs and more closely aligning recovery from customers with the related period of benefit from the operation of the facility. The effect of this adjustment is to increase Test Year O&M by $71,341.

Adjustment No. 25, Adjust Test Year Taxes. This adjustment removes the impacts of cumulative uncertain tax positions recorded in the Test Year under GAAP that relate to tax positions taken in prior year tax returns. The removal of these prior year uncertain tax positions reduces Test Year tax expense by $40,386,318 and reduces rate base by $9,642,256.

Adjustment No. 27, Amortize Capacity Purchases. Pursuant to Commission Order No. 2008-530, the Company has deferred certain charges for capacity purchased in order to meet customer and system needs over the 2008 through 2018 time period, which are not currently being recovered. By Order No. 2017-40, the Commission extended the deferral authorization though 2019; however, no amounts were deferred for 2019. The Company is proposing to amortize this deferral, totaling $2,134,511, over a three-year period, which amounts to an annual amortization of $711,504. However, after July 2020 the Company ceased an existing annual capacity deferral amortization of $296,000 recorded pursuant to Commission Order No. 2010-471 once the balance was fully amortized. In addition, an existing annual capacity deferral amortization of $10,800,000 recorded pursuant to Commission Order No. 2013-649, will cease upon the deferred balance being fully amortized in February 2021. As a result, Test Year purchased power expense reflects amortization of $11,096,000 that the Company does not expect to incur going forward. The removal of the purchase power expenses associated with the terminated amortizations more than offsets the proposed amortization of the new deferral. The impact of this adjustment increases purchased power expense by $711,504 to reflect the three-year amortization of the new deferral, but decreases purchased power expenses by $11,096,000 to reflect the removal of amortization expenses associated with the terminated amortizations. The net effect of this adjustment is a decrease to Test Year purchase power expense of $10,384,496 and an increase to rate base of $1,067,967.

Adjustment No. 28, Environmental Compliance Study. In Order No. 2010-471, the Commission authorized the ten-year amortization of deferred environmental compliance study costs. The ten-year amortization period ceased in July 2020. The effect of this adjustment is a decrease to Test-Year O&M of $94,783 to reflect the termination of this amortization.

Adjustment No. 29, KapStone Gain. On December 31, 2018, the Company sold an electric power generator, a 13.8/115 kV generator step-up transformer, and associated equipment and personal property to KapStone Charleston Kraft LLC ("KapStone") for $975,000. At the time of sale, the assets had been fully amortized by DESC and DESC's carrying value in the assets was zero. Therefore, the $975,000 that DESC received constitutes a gain on disposition of the assets. On May 30, 2019, the Company filed for authorization from the FERC to clear the gain from FERC Account 102 – Electric Plant Purchased or Sold and record it as a regulatory liability in order to preserve the gain for the future benefit of its customers. In its request to the FERC, the Company indicated that it expected this

Commission to determine the appropriate retail rate treatment in its next general retail rate case. By letter order dated July 2, 2019, the FERC approved the Company's request. This Commission should know that in their approval, the FERC stated:

> *"This accounting approval is not intended to influence the outcome of any rate treatment that may be established for this transaction."*

The Company is proposing to provide the benefit of this gain to customers over a two-year amortization period. The effect of this adjustment reduces Test Year amortization expense by $487,500 and decreases rate base by $365,869.

Adjustment No. 30, Critical Infrastructure Protection Costs Deferral. Through Order No. 2014-946, the Commission authorized the deferral of up to $20,000,000 (plus carrying costs as noted below) of incremental costs incurred by the Company from January 1, 2015, through December 31, 2019, to comply with critical infrastructure protection reliability standards promulgated by the FERC. The Commission also authorized the Company to record carrying costs on the deferred balance. The Company is proposing to amortize the deferred balance, including accrued carrying costs, totaling $24,579,421 over a five-year period. The effect of this adjustment is an increase to Test Year amortization expense of $542,932, an increase to Test Year O&M of $4,372,953, and an increase to rate base of $14,757,486.

Adjustment No. 31, Fukushima Nuclear Regulatory Commission Requirements Deferral. In Order Nos. 2012-780 and 2015-298, the Commission authorized the deferral of up to $4,500,000 of incremental costs incurred by the Company to comply with requirements promulgated by the Nuclear Regulatory Commission as a result of the earthquake and tsunamis experienced at Tokyo Electric Power Company's Fukushima Daiichi nuclear power station. The Company is seeking to amortize this deferred cost over a ten-year period. The result of this adjustment is an increase to Test Year O&M of $450,000 and an increase to rate base of $3,039,525.

In Order No. 2012-780, the Commission ordered the Company to file quarterly status reports with the Commission and the ORS regarding the deferred Fukushima requirements costs. As of June 30, 2019, the Company had reached the deferral cap of $4,500,000 and notified the Commission in its quarterly status report dated August 14, 2019, that DESC would not provide further quarterly updates. The Company respectfully requests that the Commission affirm the Company's position that further quarterly status reports are no longer required.

Adjustment No. 32, VCS Cyber Security Deferral. Through Order No. 2015-790, the Commission authorized the deferral of up to $9,100,000 of incremental costs incurred by the Company to comply with cyber security regulations promulgated by the Nuclear Regulatory Commission. The Company is proposing to amortize deferred costs totaling $8,622,108 over a five-year period.

The effect of this adjustment is an increase to Test Year O&M of $1,151,297, an increase to Test Year amortization expense of $573,125, and an increase to rate base of $5,176,714.

In Order No. 2015-790, the Commission ordered the Company to file quarterly status reports with the Commission and the ORS regarding the deferred cyber security expenses. Since no further costs will be deferred if the proposed treatment requested herein is approved, the Company respectfully requests that the Commission eliminate this quarterly reporting requirement.

Adjustment No. 34, Amortization of Columbia and Charleston Franchise Agreements. In Order No. 2003-38, the Commission approved the amortization of deferred costs associated with the Company's franchise agreements with the cities of Columbia and Charleston. These amounts will be fully amortized in March 2021. Accordingly, the Company's Test Year results contain $4,183,225 of amortization expense that the Company will not incur going forward. The effect of this entry reduces Test Year amortization expense by $4,183,225 to reflect the termination of these amortizations.

Adjustment No. 35, Unrecovered Plant Amortization. Urquhart Unit 3 and McMeekin Station are now fueled solely by natural gas. As a result, the Company has retired certain equipment and written off certain inventory which related to the use of coal at these facilities. The Company has recorded its carrying cost in this equipment and inventory as unrecovered plant regulatory assets and seeks authorization to amortize this cost over a five-year period. The total amount deferred equals $557,755 for Urquhart Unit 3 and $1,427,729 for McMeekin Station. The effect of this adjustment is an increase to Test Year amortization expense of $111,551 and an increase to rate base of $334,876 for Urquhart Unit 3, and an increase to Test Year amortization expense of $285,546 and an increase to rate base of $857,208 for McMeekin Station.

Adjustment No. 37, Local Business Offices. As discussed in the pre-filed direct testimony of Company Witness Kissam, the Company is closing several local business offices. This adjustment removes from Test Year expenses the O&M and depreciation expense related to those closures. The effect of this adjustment is a decrease to Test Year O&M of $412,850 and a decrease to Test Year depreciation expense of $155,410. This pro forma also necessitates the reclassification of the land to nonutility property. The effect of that reclassification is a reduction to utility plant in service of $1,542,361.

Adjustment No. 38, Rate Case Expenses. This pro forma adjustment amortizes, over three years, the estimated incremental costs of preparing and presenting this proceeding. The effect of this adjustment is to increase Test Year O&M expenses by $295,580.

IV. CANADYS UNITS 2 AND 3

Q. PLEASE EXPLAIN THE COMPANY'S REQUEST REGARDING CANADYS UNITS 2 AND 3.

A. Since the last rate proceeding, the Company completed its retirement of the Canadys coal-fired generating station with the removal from service of units 2 and 3 at this site. Pursuant to Commission Order No. 2013-649, the carrying value of the Company's investment in the retired Canadys Units 2 and 3 ("Canadys Units"), and costs being incurred related to the retirement, are accounted for as an unrecovered plant regulatory asset and are being amortized at the level of depreciation expense ($12.3 million per year) that was being recorded for the Canadys Units before their retirement. In this application, DESC respectfully requests that the Commission affirm the accounting treatment implemented pursuant to Order No. 2013-649 and affirm the Company's treatment of this unrecovered investment as a component of its rate base.

V. CONCLUSION

Q. WHAT ARE YOU ASKING THE COMMISSION TO DO?

A. I am respectfully asking that the Commission incorporate into the record of these proceedings the Company's Application, including Exhibits C-1 through C-7, and Supplemental Exhibit C-2 as requested by the Commission, and that it recognize and approve the pro forma adjustments to Test Year results and rate base that I discuss above and that Company Witness Kochems discusses in his testimony. I further request that the Commission affirm the treatment being provided to its unrecovered investment in the Canadys Units pursuant to Order No. 2013-649 and affirm the Company's treatment of this unrecovered investment as a component of its rate base. I further request that the Commission affirm that the quarterly reporting requirements pursuant to Order No. 2012-780 are no longer required and that it remove the quarterly reporting requirements pursuant to Order No. 2015-790.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes, it does.

DOMINION ENERGY SOUTH CAROLINA, INC.

CONDENSED CONSOLIDATED (REGULATORY BASIS) BALANCE SHEET
As of December 31, 2019

CONDENSED CONSOLIDATED (REGULATORY BASIS) STATEMENT OF INCOME
For the Twelve Months Ended December 31, 2019

Exhibit C-1
Page 2 of 52

Dominion Energy South Carolina, Inc.
Condensed Consolidated Balance Sheet (Regulatory Basis)
As of December 31, 2019
(Dollars in Millions)

Assets:	
Total Utility Plant	$12,465
Less Accumulated Deprec. and Amortization	(5,102)
Total	7,363
Construction Work in Progress	316
Nuclear Fuel, Net of Accumulated Amortization	219
Utility Plant, Net	7,898
Other Property and Investments:	
Nontility Property, Net of Accum Deprec	69
Trust Assets	214
Other Investments	0
Other Property and Investments	283
Current Assets:	
Cash and Special Deposits	14
Receivable - Customer and Other	438
Receivable - Affiliated Companies	33
Inventories (At Average Cost):	
Fuel	72
Materials and Supplies	156
Emission Allowances	1
Prepayments	71
Misc. Current Assets	0
Total Current Assets	785
Deferred Debits:	
Regulatory Assets	4,061
Other	1,732
Total Deferred Debits	5,793
Total Assets	$14,759

Dominion Energy South Carolina, Inc.
Condensed Consolidated Balance Sheet (Regulatory Basis)
As of December 31, 2019
(Dollars in Millions)

Capitalization and Liabilities:	
Capitalization:	
Common Stock	$576
Other Paid in Capital	3,123
Capital Stock Expense (Debit)	(4)
Accumulated Other Comprehensive Income	(3)
Retained Earnings	20
Total Common Equity	3,712
Long-Term Debt, Net	3,348
Total Capitalization	7,060
Current Liabilities:	
Short-Term Notes Payable to Associated Companies	219
Accounts Payable	227
Accounts Payable - Affiliated Companies	422
Customer Deposits	76
Taxes Accrued	279
Interest Accrued	87
Dividends Declared	0
Other	573
Total Current Liabilities	1,883
Deferred Credits	
Deferred Income Taxes	1,908
Deferred Investment Tax Credits	18
Asset Retirement Obligations	475
Post Retirement Benefit Obligation	203
Regulatory Liabilities	3,080
Other	132
Total Deferred Credits	5,816
Total Capitalization and Liabilities	$14,759

Dominion Energy South Carolina, Inc.
Condensed Consolidated Income Statement (Regulatory Basis)
For the Twelve Months Ended December 31, 2019
(Dollars in Millions)

Operating Revenues:	
Electric	1,527
Gas	404
Total Operating Revenues	1,931
Operating Expenses:	
Fuel Used in Electric Generation	461
Purchased Power	237
Gas Purchased for Resale	216
Other Operation and Maintenance	554
Depreciation and Amortization	443
Other Taxes	239
Total Operating Expenses	2,150
Operating Income	(219)
Other Income	
Allowance for equity funds used during construction	1
Other Revenues	24
Other Expenses	(1,011)
Interest charges, net of allowance for funds used during construction	(251)
Total Other Expense	(1,237)
Income Before Income taxes and Preferred Stock Dividends	(1,456)
Income Taxes	(217)
Net Loss Attributable to Common Shareholder	(1,239)

See Notes to Condensed Consolidated (Regulatory Basis) Financial Statements

Exhibit C-1
Page 5 of 52

Dominion Energy South Carolina, Inc.
Notes to Financial Statements
December 31, 2019

These Notes are based on the Notes to Financial Statements as filed in the Company's 2019 FERC Form No. 1.

Glossary of Terms

The following abbreviations or acronyms used are defined below:

Abbreviation or Acronym	Definition
2015 Task Order	Retail services agreement between DESC and the DOE, which includes a FERC jurisdictional lease of the DOE transmission facilities at the Savannah River Site
2017 Tax Reform Act	An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (previously known as The Tax Cuts and Jobs Act) enacted on December 22, 2017
ACE Rule	Affordable Clean Energy Rule
AFUDC	Allowance for funds used during construction
AOCI	Accumulated other comprehensive income (loss)
ARO	Asset retirement obligation
BACT	Best available control technology
bcf	Billion cubic feet
BLRA	South Carolina Base Load Review Act
CAA	Clean Air Act
CCR	Coal combustion residual
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act of 1980, also known as Superfund
CO_2	Carbon dioxide
Consortium	A consortium consisting of Westinghouse and WECTEC
CWA	Clean Water Act-----
DECG	Dominion Energy Carolina Gas Transmission, LLC
DER	Distributed energy resource
DESC	The legal entity, Dominion Energy South Carolina, Inc. (formerly known as South Carolina Electric & Gas Company), one or more of its consolidated entities or operating segment, or the entirety of Dominion Energy South Carolina, Inc. and its consolidated entities
DESS	Dominion Energy Southeast Services, Inc. (formerly known as SCANA Services, Inc.)
Dominion Energy South Carolina	Dominion Energy South Carolina operating segment
DOE	U.S. Department of Energy
Dominion Energy	The legal entity, Dominion Energy, Inc., one or more of its consolidated subsidiaries (other than DESC) or operating segments, or the entirety of Dominion Energy, Inc. and its consolidated subsidiaries
DSM	Demand-side management
ELG Rule	Effluent limitations guidelines for the steam electric power generating category
EMANI	European Mutual Association for Nuclear Insurance
EPA	U.S. Environmental Protection Agency
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FILOT	Fee in lieu of taxes
Fuel Company	South Carolina Fuel Company, Inc.
GAAP	U.S. generally accepted accounting principles

GENCO	South Carolina Generating Company, Inc.
GHG	Greenhouse gas
IAA	Interim Assessment Agreement dated March 28, 2017, as amended, among DESC, Santee Cooper, Westinghouse and WECTEC
IRS	Internal Revenue Service
MATS	Utility Mercury and Air Toxics Standard Rule
MGD	Million gallons a day
MGP	Manufactured gas plant
MW	Megawatt
NAV	Net asset value
NEIL	Nuclear Electric Insurance Limited
NND Project	V.C. Summer Units 2 and 3 nuclear development project under which DESC and Santee Cooper undertook to construct two Westinghouse AP1000 Advanced Passive Safety nuclear units in Jenkinsville, South Carolina
NO_X	Nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
NSPS	New Source Performance Standards
Order 1000	Order issued by FERC adopting requirements for electric transmission planning, cost allocation and development
ORS	South Carolina Office of Regulatory Staff
PGA	Purchased gas adjustment
PHMSA	U.S. Pipeline Hazardous Materials Safety Administration
Price-Anderson	Price-Anderson Amendments Act of 1988
PSD	Prevention of significant deterioration
Reorganization Plan	Modified Second Amended Joint Chapter 11 Plan or Reorganization, filed by Westinghouse
RICO	Racketeer Influenced and Corrupt Organizations Act
RSA	Natural Gas Rate Stabilization Act
Santee Cooper	South Carolina Public Service Authority
SCANA	The legal entity, SCANA Corporation, one or more of its consolidated subsidiaries (other than DESC) or the entirety of SCANA Corporation and its consolidated subsidiaries
SCANA Combination	Dominion Energy's acquisition of SCANA completed on January 1, 2019 pursuant to the terms of the SCANA Merger Agreement
SCANA Merger Agreement	Agreement and plan of merger entered on January 2, 2018 between Dominion Energy and SCANA
SCANA Merger Approval Order	Final order issued by the South Carolina Commission on December 21, 2018 setting forth its approval of the SCANA Combination
SCDHEC	South Carolina Department of Health and Environmental Control
SCDOR	South Carolina Department of Revenue
SEC	U.S. Securities and Exchange Commission
SO_2	Sulfur dioxide
South Carolina Commission	Public Service Commission of South Carolina
Southern	The legal entity, The Southern Company, one or more of its consolidated subsidiaries, or the entirety of The Southern Company and its consolidated subsidiaries
Summer	V.C. Summer nuclear power station
Toshiba	Toshiba Corporation, parent company of Westinghouse
Toshiba Settlement	Settlement Agreement dated as of July 27, 2017, by and among Toshiba, DESC and Santee Cooper
VIE	Variable interest entity
VOC	Volatile organic compounds
WECTEC	WECTEC Global Project Services, Inc. (formerly known as Stone & Webster, Inc.), a wholly-owned subsidiary of Westinghouse
Westinghouse	Westinghouse Electric Company LLC
Westinghouse Subcontractors	Subcontractors and suppliers to the Consortium
WNA	Weather normalization adjustment

1. NATURE OF OPERATIONS

DESC is a wholly-owned subsidiary of SCANA which, effective January 2019, is a wholly-owned subsidiary of Dominion Energy.

DESC is engaged in the generation, transmission and distribution of electricity in the central, southern and southwestern portions of South Carolina. Additionally, DESC sells natural gas to residential, commercial and industrial customers in South Carolina.

Beginning in December 2019, DESC manages its daily operations through one primary operating segment: Dominion Energy South Carolina. It also reports a Corporate and Other segment that primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

DESC makes certain estimates and assumptions in preparing its Consolidated Financial Statements in accordance with GAAP. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues, expenses and cash flows for the periods presented. Actual results may differ from those estimates.

DESC's Consolidated Financial Statements include, after eliminating intercompany balances and transactions, the accounts of DESC and Fuel Company. DESC has concluded that Fuel Company is a VIE due to the member lacking the characteristics of a controlling financial interest. DESC is the primary beneficiary of Fuel Company and therefore is required to consolidate the VIE. The equity interests in Fuel Company are held solely by SCANA, DESC's parent.

Fuel Company acquires, owns and provides financing for DESC's nuclear fuel, certain fossil fuels and emission and other environmental allowances. See also Note 6.

Additionally, DESC purchases shared services from DESS, an affiliated VIE that provides accounting, legal, finance and certain administrative and technical services to all SCANA subsidiaries, including DESC. DESC has determined that it is not the primary beneficiary of DESS as it does not have either the power to direct the activities that most significantly impact its economic performance or an obligation to absorb losses and benefits which could be significant to it. See Note 16 for amounts attributable to affiliates.

DESC reports certain contracts and instruments at fair value. See Note 9 for further information on fair value measurements.

DESC maintains pension and other postretirement benefit plans. See Note 11 for further information on these plans.

Certain amounts in the 2018 and 2017 Consolidated Financial Statements and Notes have been reclassified to conform to the 2019 presentation for comparative purposes; however, such reclassifications did not affect DESC's net income, total assets, liabilities, equity or cash flows.

Utility Plant

Utility plant is stated at original cost. The costs of additions, replacements and betterments to utility plant, including direct labor, material and indirect charges for engineering, supervision and AFUDC, are added to utility plant accounts. The original cost of utility property retired or otherwise disposed of is removed from utility plant accounts and generally charged to accumulated depreciation. The costs of repairs and replacements of items of property determined to be less than a unit of property or that do not increase the asset's life or functionality are charged to expense.

AFUDC is a noncash item that reflects the period cost of capital devoted to plant under construction. This accounting practice results in the inclusion of, as a component of construction cost, the costs of debt and equity capital dedicated to construction investment. AFUDC is included in rate base investment and depreciated as a component of plant cost in establishing rates for utility services.

DESC calculated AFUDC using average composite rates of 4.4%, 7.0% and 3.9% for 2019, 2018 and 2017, respectively. These rates do not exceed the maximum rates allowed in the various regulatory jurisdictions. DESC capitalizes interest on nuclear fuel in process at the actual interest cost incurred.

For property subject to cost-of-service rate regulation that will be abandoned significantly before the end of its useful life, the net carrying value is reclassified from utility plant-in-service when it becomes probable it will be abandoned and recorded as a regulatory asset for amounts expected to be collected through future rates.

Provisions for depreciation and amortization are recorded using the straight-line method based on the estimated service lives of the various classes of property, and in most cases, include provisions for future cost of removal. The composite weighted average depreciation rates for utility plant by function were as follows:

	2019	2018
Generation	2.48%	2.60%
Transmission	2.57%	2.74%
Distribution	2.41%	2.41%
Storage	2.74%	2.71%
General and other	3.22%	3.18%

DESC records nuclear fuel amortization using the units-of-production method, which is included in fuel used in electric generation and recovered through the fuel cost component of retail electric rates.

Major Maintenance

Planned major maintenance costs related to certain fossil fuel turbine equipment and nuclear refueling outages are accrued in periods other than when incurred in accordance with approval by the South Carolina Commission for such accounting treatment and rate recovery of expenses accrued thereunder. The difference between such cumulative major maintenance costs and cumulative collections is classified as a regulatory asset or regulatory liability on the consolidated balance sheet. Other planned major maintenance is expensed when incurred.

DESC is authorized to collect $18 million annually through electric rates to offset certain turbine maintenance expenditures. For the years ended December 31, 2019 and 2018, DESC incurred $10 million and $16 million, respectively, for turbine maintenance.

Nuclear refueling outages are scheduled 18 months apart. As approved by the South Carolina Commission, DESC accrues $17 million annually for its portion of the nuclear refueling outages scheduled from the spring of 2014 through the spring of 2020. Refueling outage costs incurred for which DESC was responsible totaled $2 million in 2019 and $29 million in 2018.

Asset Retirement Obligations

DESC recognizes AROs at fair value as incurred or when sufficient information becomes available to determine a reasonable estimate of the fair value of future retirement activities to be performed, for which a legal obligation exists. These amounts are generally capitalized as costs of the related tangible long-lived assets. Since relevant market information is not available, fair value is estimated using discounted cash flow analyses. Periodically, DESC assesses its AROs to determine if circumstances indicate that estimates of the amounts or timing of future cash flows associated with retirement activities have changed. AROs are adjusted when significant changes in the amounts or timing of future cash flows are identified. DESC reports accretion of AROs and depreciation on asset retirement costs as an adjustment to regulatory assets.

Nuclear Decommissioning

Based on a decommissioning cost study completed in 2016, DESC's two-thirds share of estimated site-specific nuclear decommissioning costs for Summer, including the cost of decommissioning plant components both subject to and not subject to radioactive contamination, totals $646 million, stated in 2019 dollars. Santee Cooper is responsible for decommissioning costs related to its one-third ownership interest in Summer. The cost estimate assumes that the site will be maintained over a period of approximately 60 years in such a manner as to allow for subsequent decontamination that would permit release for unrestricted use.

Under DESC's method of funding decommissioning costs, DESC transfers to an external trust fund the amounts collected through rates ($3 million in each period presented), less expenses. The trust invests the amounts transferred into insurance policies on the lives of certain company personnel. Insurance proceeds are reinvested in insurance policies. The asset balance held in trust reflects the net cash surrender value of the insurance policies and cash held by the trust. Management intends for the fund, including earnings thereon, to provide for all eventual decommissioning expenditures for Summer on an after-tax basis.

Cash, Restricted Cash and Equivalents

Cash, restricted cash and equivalents include cash on hand, cash in banks and temporary investments purchased with an original maturity of three months or less. At December 31, 2019, there were no restricted cash and equivalent balances. At December 31, 2018, cash and cash equivalents at DESC included $115 million held in escrow pending a settlement which was contingent on the consummation of the merger with Dominion Energy. As such, DESC did not consider this amount to be restricted at December 31, 2018.

Receivables

Customer receivables reflect amounts due from customers arising from the delivery of energy or related services and include both billed and unbilled amounts earned pursuant to revenue recognition practices described in Note 4. Customer receivables are generally due within one month of receipt of invoices which are presented on a monthly cycle basis. Unbilled revenues totaled $114 million and $129 million at December 31, 2019 and 2018, respectively.

DESC sells electricity and natural gas and provides distribution and transmission services to customers in South Carolina. Management believes that this geographic concentration of risk is mitigated by the diversity of DESC's customer base, which includes a large number of residential, commercial and industrial customers. Credit risk associated with accounts receivable is limited due to the large number of customers. DESC's exposure to potential concentrations of credit risk results primarily from amounts due from Santee Cooper related to the jointly owned nuclear generating facilities at Summer. Such receivables represented approximately 10% of DESC's accounts receivable balance at December 31, 2019.

Inventories

Materials and supplies include the average cost of transmission, distribution, and generating plant materials. Materials are charged to inventory when purchased and then expensed or capitalized to plant, as appropriate, at weighted average cost when used. Fuel inventory includes the average cost of coal, natural gas, fuel oil and emission allowances. Fuel is charged to inventory when purchased and is expensed, at weighted average cost, as used and recovered through fuel cost recovery rates approved by the South Carolina Commission.

Income Taxes

A consolidated federal income tax return was filed for SCANA, including DESC for years through 2018. Beginning in 2019, SCANA and DESC are part of Dominion Energy's consolidated federal income tax return. In addition, where applicable, combined income tax returns for Dominion Energy, including DESC, are filed in various states including South Carolina; otherwise, separate state income tax returns are filed.

DESC participated in intercompany tax sharing agreements with SCANA through the SCANA Combination, and currently participates in similar agreements with Dominion Energy. Under both SCANA and Dominion Energy's tax sharing agreements, current income taxes are based on taxable income or loss and credits determined on a separate company basis.

Under the agreements, if a subsidiary incurs a tax loss or earns a credit, recognition of current income tax benefits is limited to refunds of prior year taxes obtained by the carryback of the net operating loss or credit or to the extent the tax loss or credit is absorbed by the taxable income of other SCANA or Dominion Energy consolidated group members. Otherwise, the net operating loss or credit is carried forward and is recognized as a deferred tax asset until realized.

The 2017 Tax Reform Act included a broad range of tax reform provisions affecting DESC, including changes in corporate tax rates and business deductions. The 2017 Tax Reform Act reduces the corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. Deferred tax assets and liabilities are classified as noncurrent in the Consolidated Balance Sheets and measured at the enacted tax rate expected to apply when temporary differences are realized or settled. Thus, at the date of enactment, federal deferred taxes were remeasured based upon the new 21% tax rate. The total effect of tax rate changes on deferred tax balances was recorded as a component of the income tax provision related to continuing operations for the period in which the law is enacted, even if the assets and liabilities relate to other components of the financial statements, such as items of accumulated other comprehensive income. DESC, as a rate-regulated utility, was required to adjust deferred income tax assets and liabilities for the change in income tax rates. However, if it is probable that the effect of the change in income tax rates will be recovered or shared with customers in future rates, DESC recorded a regulatory asset or liability instead of an increase or decrease to deferred income tax expense.

Accounting for income taxes involves an asset and liability approach. Deferred income tax assets and liabilities are provided, representing future effects on income taxes for temporary differences between the bases of assets and liabilities for financial reporting and tax purposes. Accordingly, deferred taxes are recognized for the future consequences of different treatments used for the reporting of transactions in financial accounting and income tax returns. DESC establishes a valuation allowance when it is more-likely-than-not that all, or a portion, of a deferred tax asset will not be realized. DESC did not have any valuation allowances recorded for the periods presented. Where the treatment of temporary differences is different for rate-regulated operations, a regulatory asset is recognized if it is probable that future revenues will be provided for the payment of deferred tax liabilities.

DESC recognizes positions taken, or expected to be taken, in income tax returns that are more-likely-than-not to be realized, assuming that the position will be examined by tax authorities with full knowledge of all relevant information. At December 31, 2019, DESC had $126 million of unrecognized tax benefits.

If it is not more-likely-than-not that a tax position, or some portion thereof, will be sustained, the related tax benefits are not recognized in the financial statements. Unrecognized tax benefits may result in an increase in income taxes payable, a reduction of income tax refunds receivable or changes in deferred taxes. Also, when uncertainty about the deductibility of an amount is limited to the timing of such deductibility, the increase in income taxes payable (or reduction in tax refunds receivable) is accompanied by a decrease in deferred tax liabilities. Except when such amounts are presented net with amounts receivable from or amounts prepaid to tax authorities, noncurrent income taxes payable related to unrecognized tax benefits are classified in other deferred credits and other liabilities on the Consolidated Balance Sheets and current payables are included in taxes accrued on the Consolidated Balance Sheets.

DESC recognizes interest on underpayments and overpayments of income taxes in interest expense and interest income, respectively. Penalties are also recognized in other expenses.

Interest expense for DESC was $17 million, $8 million and less than $1 million in 2019, 2018, and 2017, respectively. Interest income for DESC was $2 million in 2019 and 2018, and less than $1 million in 2017. DESC also recorded penalty expenses of $7 million in 2019.

At December 31, 2019, DESC had an income tax-related affiliated receivable of $29 million from Dominion Energy. This balance is expected to be received from Dominion Energy.

At DESC investment tax credits are deferred and amortized over the service lives of the properties giving rise to the credits. Production tax credits are recognized as energy is generated and sold.

Regulatory Assets and Liabilities

The accounting for DESC's regulated gas and regulated electric operations differs from the accounting for nonregulated operations in that DESC is required to reflect the effect of rate regulation in its Consolidated Financial Statements. For regulated businesses subject to federal or state cost-of-service rate regulation, regulatory practices that assign costs to accounting periods may differ from accounting methods generally applied by nonregulated companies. When it is probable that regulators will permit the recovery of current costs through future rates charged to customers, these costs that otherwise would be expensed by nonregulated companies are deferred as regulatory assets. Likewise, regulatory liabilities are recognized when it is probable that regulators will require customer refunds through future rates or when revenue is collected from customers for expenditures that have yet to be incurred.

DESC evaluates whether or not recovery of its regulatory assets through future rates is probable as well as whether a regulatory liability due to customers is probable and makes various assumptions in its analyses. These analyses are generally based on:

- Orders issued by regulatory commissions, legislation and judicial actions;
- Past experience;
- Discussions with applicable regulatory authorities and legal counsel;
- Forecasted earnings; and
- Considerations around the likelihood of impacts from events such as unusual weather conditions, extreme weather events and other natural disasters and unplanned outages of facilities.

Generally, regulatory assets and liabilities are amortized into income over the period authorized by the regulator. If recovery of a regulatory asset is determined to be less than probable, it will be written off in the period such assessment is made. A regulatory liability, if considered probable, will be recorded in the period such assessment is made or reversed into earnings if no longer probable. See Note 3 to the Consolidated Financial Statements for additional information.

Derivative Instruments

DESC uses derivative instruments such as swaps to manage interest rate risks of its business operations. Derivatives are required to be reported in the Consolidated Balance Sheets at fair value. Derivative contracts representing unrealized gain positions are reported as derivative assets. Derivative contracts representing unrealized losses are reported as derivative liabilities.

DESC does not offset amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral against amounts recognized for derivative instruments executed with the same counterparty under the same master netting arrangement. DESC had margin assets of $7 million and $3 million associated with cash collateral at December 31, 2019 and 2018, respectively. DESC had no margin liabilities associated with cash collateral at December 31, 2019 and 2018. See Note 8 for further information about derivatives.

Changes in the fair value of derivative instruments result in the recognition of regulatory assets or regulatory liabilities. Realized gains or losses on the derivative instruments are generally recognized when the related transactions impact earnings. All income statement activity, including amounts realized upon settlement, is presented in interest charges based on the nature of the underlying risk.

DERIVATIVE INSTRUMENTS DESIGNATED AS HEDGING INSTRUMENTS

In accordance with accounting guidance pertaining to derivatives and hedge accounting, DESC designates a portion of their derivative instruments as cash flow hedges for accounting purposes. For derivative instruments that are accounted for as cash flow hedges, the cash flows from the derivatives and from the related hedged items are classified in operating cash flows.

Cash Flow Hedges- DESC uses interest rate swaps to hedge its exposure to variable interest rates on long-term debt. For transactions in which the Company is hedging the variability of cash flows, changes in the fair value of the derivatives are reported in regulatory assets or liabilities. Any derivative gains or losses reported in regulatory assets or liabilities are reclassified to earnings when the forecasted item is included in earnings. For cash flow hedge transactions, hedge accounting is discontinued if the occurrence of the forecasted transaction is no longer probable.

Pursuant to regulatory orders, interest rate derivatives entered into by DESC after October 2013 were not designated for accounting purposes as cash flow hedges, and fair value changes and settlement amounts related to them have been recorded as regulatory assets and liabilities. Settlement losses on swaps generally have been amortized over the lives of subsequent debt issuances, and gains have been amortized to interest charges or have been applied as otherwise directed by the South Carolina Commission. See Note 3 and Note 17 regarding the settlement gains realized in the first quarter of 2018.

Debt Issuance Costs

DESC defers and amortizes debt issuance costs and debt premiums or discounts over the expected lives of the respective debt issues, considering maturity dates and, if applicable, redemption rights held by others. Deferred debt issuance costs are recorded as a reduction in long-term debt in the Consolidated Balance Sheets. Amortization of the issuance costs is reported as interest charges. As permitted by regulatory authorities, gains or losses resulting from the refinancing or redemption of debt are deferred and amortized.

Environmental

An environmental assessment program is maintained to identify and evaluate current and former operations sites that could require environmental clean-up. As site assessments are initiated, estimates are made of the amount of expenditures, if any, deemed necessary to investigate and remediate each site. Environmental remediation liabilities are accrued when the criteria for loss contingencies are met. These estimates are refined as additional information becomes available; therefore, actual expenditures could differ significantly from the original estimates. Probable and estimable costs are accrued related to environmental sites on an undiscounted basis. Amounts estimated and accrued to date for site assessments and clean-up relate solely to regulated operations. Amounts expected to be recovered through rates are recorded in regulatory assets and, if applicable, amortized over approved amortization periods. Other environmental costs are expensed as incurred.

Statement of Operations Presentation

Revenues and expenses arising from regulated businesses are presented within Operating Income (Loss), and all other activities are presented within Other Income (Expense), net.

Operating Revenue

Operating revenue is recorded on the basis of services rendered, commodities delivered, or contracts settled and includes amounts yet to be billed to customers. DESC collects sales, consumption, consumer utility taxes and sales taxes; however, these amounts are excluded from revenue and are recorded as liabilities until they are remitted to the respective taxing authority.

The primary types of sales and service activities reported as operating revenue for DESC, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, are as follows:

Revenue from Contracts with Customers

- **Regulated electric sales** consist primarily of state-regulated retail electric sales, and federally-regulated wholesale electric sales and electric transmission services;
- **Regulated gas sales** consist primarily of state-regulated natural gas sales and related distribution services; and
- **Other regulated revenue** consists primarily of miscellaneous service revenue from electric and gas distribution operations and sales of excess electric capacity and other commodities.

Other Revenue

- **Other revenue** consists primarily of alternative revenue programs, gains and losses from derivative instruments not subject to hedge accounting and lease revenues.

DESC records refunds to customers as required by the South Carolina Commission as a reduction to regulated electric sales or regulated gas sales, as applicable. Revenues from electric and gas sales are recognized over time, as the customers of DESC consume gas and electricity as it is delivered. Sales of products and services, typically transfer control and are recognized as revenue upon delivery of the product or service. The customer is able to direct the use of, and obtain substantially all of the benefits from, the product at the time the product is delivered. The contract with the customer states the final terms of the sale, including the description, quantity and price of each product or service purchased. Payment for most sales and services varies by contract type, but is typically due within a month of billing.

DESC customers subject to an electric fuel cost recovery component or a PGA are billed based on a fuel or cost of gas factor calculated in accordance with cost recovery procedures approved by the South Carolina Commission and subject to adjustment periodically. Any difference between actual costs and amounts contained in rates is adjusted through revenue and is deferred and included when making the next adjustment to the cost recovery factors.

Certain amounts deferred for the WNA arise under specific arrangements with regulators rather than customers and are accounted for as an alternative revenue program. This alternative revenue is included within Other operating revenues, separate from revenue arising from contracts with customers, in the month such adjustments are deferred within regulatory accounts. As permitted, DESC has elected to reduce the regulatory accounts in the period when such amounts are reflected on customer bills without affecting operating revenues.

Performance obligations which have not been satisfied by DESC relate primarily to demand or standby service for natural gas. Demand or standby charges for natural gas arise when an industrial customer reserves capacity on assets controlled by the service provider and may use that capacity to move natural gas it has acquired from other suppliers. For all periods presented, the amount of revenue recognized by DESC for these charges is equal to the amount of consideration DESC has a right to invoice and corresponds directly to the value transferred to the customer.

Leases

DESC leases certain assets including vehicles, real estate, office equipment and other assets under both operating and finance leases. For operating leases, rent expense is recognized on a straight-line basis over the term of the lease agreement, subject to regulatory framework. Rent expense associated with operating leases, short-term leases and variable leases is primarily recorded in other operations and maintenance expense in the Consolidated Statements of Comprehensive Loss. Rent expense associated with finance leases results in the separate presentation of interest expense on the lease liability and amortization expense of the related right-of-use asset in the Consolidated Statements of Comprehensive Loss. Amortization expense and interest charges associated with finance leases are recorded in depreciation and amortization and interest charges, respectively, in the Consolidated Statements of Comprehensive Loss or deferred within regulatory assets in the Consolidated Balance Sheets.

Certain leases include one or more options to renew, with renewal terms that can extend the lease from one to 70 years. The exercise of renewal options is solely at DESC's discretion and is included in the lease term if the option is reasonably certain to be exercised. A right-of-use asset and corresponding lease liability for leases with original lease terms of one year or less are not included in the Consolidated Balance Sheets, unless such leases contain renewal options that DESC is reasonably certain will be exercised.

The determination of the discount rate utilized has a significant impact on the calculation of the present value of the lease liability included in the Consolidated Balance Sheets. For DESC’s leased assets, the discount rate implicit in the lease is generally unable to be determined from a lessee perspective. As such, DESC uses internally developed incremental borrowing rates as a discount rate in the calculation of the present value of the lease liability. The incremental borrowing rates are determined based on an analysis of DESC's publicly available secured borrowing rates over various lengths of time that most closely corresponds to DESC's lease maturities.

New Accounting Standards

REVENUE RECOGNITION

In May 2014, the FASB issued revised accounting guidance for revenue recognition from contracts with customers. DESC adopted this revised accounting guidance for interim and annual reporting periods beginning January 1, 2018 using the modified retrospective method. No cumulative effect adjustment was recognized upon adoption. For additional required disclosures, see Note 4.

LEASES

In February 2016, the FASB issued revised accounting guidance for the recognition, measurement, presentation and disclosure of leasing arrangements. The update requires that a liability and corresponding right-of-use asset are recorded on the balance sheet for all leases, including those leases classified as operating leases, while also refining the definition of a lease. In addition, lessees will be required to disclose key information about the amount, timing, and uncertainty of cash flows arising from leasing arrangements. Lessor accounting remains largely unchanged.

The guidance became effective for DESC's interim and annual reporting periods beginning January 1, 2019. DESC adopted this revised accounting guidance using a modified retrospective approach, which requires lessees and lessors to recognize and measure leases at the date of adoption. Under this approach, DESC utilized the transition practical expedient to maintain historical presentation for periods before January 1, 2019. DESC also applied the other practical expedients, which required no reassessment of whether existing contracts are or contain leases, no reassessment of lease classification for existing leases and no evaluation of existing or expired land easements that were not previously accounted for as leases. In connection with the adoption of this revised accounting guidance, DESC recorded $19 million of offsetting right-of-use assets and liabilities for operating leases in effect at the adoption date. See Note 13 for additional information.

NET PERIODIC PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS

In March 2017, the FASB issued revised accounting guidance for the presentation of net periodic pension and other postretirement benefit costs. This guidance became effective for DESC beginning January 1, 2018 and requires that the service cost component of net periodic pension and other postretirement benefit costs be classified in the same line item as other compensation costs arising from services rendered by employees, while all other components of net periodic pension and other postretirement costs are classified outside of income from operations. In addition, only the service cost component remains eligible for capitalization during construction. The standard also recognizes that in the event that a regulator continues to require capitalization of all net periodic benefit costs prospectively, the difference would result in recognition of a regulatory asset or liability. For costs not capitalized for which regulators are expected to provide recovery, a regulatory asset will be established.

TAX REFORM

In February 2018, the FASB issued revised accounting guidance to provide clarification on the application of the 2017 Tax Reform Act for balances recorded within AOCI. The revised guidance provides for stranded amounts within AOCI from the impacts of the 2017 Tax Reform Act to be reclassified to retained earnings. DESC adopted this guidance for interim and annual reporting periods beginning January 1, 2019 on a prospective basis. In connection with the adoption of this guidance, DESC reclassified a benefit of $1 million from AOCI to retained earnings. The amounts reclassified reflect the reduction in the federal income tax rate, and the federal benefit of state income taxes, on the components of DESC’s AOCI.

3. RATE AND OTHER REGULATORY MATTERS

Regulatory Matters Involving Potential Loss Contingencies

As a result of issues generated in the ordinary course of business, DESC is involved in various regulatory matters. Certain regulatory matters may ultimately result in a loss; however, as such matters are in an initial procedural phase, involve uncertainty as to the outcome of pending reviews or orders, and/or involve significant factual issues that need to be resolved, it is not possible for DESC to estimate a range of possible loss. For regulatory matters that DESC cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the regulatory process such that DESC is able to estimate a range of possible loss. For regulatory matters that DESC is able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any estimated range is based on currently available information, involves elements of judgment and significant uncertainties and may not represent DESC's maximum possible loss exposure. The circumstances of such regulatory matters will change from time to time and actual results may vary significantly from the current estimate. For current matters not specifically reported below, management does not anticipate that the outcome from such matters would have a material effect on DESC's financial position, liquidity or results of operations.

<u>FERC</u>

In June 2019, DESC submitted the 2015 Task Order as a stand-alone rate schedule, which governs DESC's provision of retail service to the DOE at the Savannah River Site. The 2015 Task Order also includes provisions that govern the operations and maintenance of certain transmission facilities, which DESC had determined to be services that are likely subject to FERC's jurisdiction. DESC requested that FERC accept the 2015 Task Order for filing to become effective in August 2019 and accept the refund analysis included in the filing for amounts collected under the 2015 Task Order as well as under two prior task orders commencing in 1995 and each covering ten-year periods. During the second quarter of 2019, DESC recorded a $6 million ($4 million after-tax) charge primarily within interest charges in DESC's Consolidated Statements of Comprehensive Loss. In August 2019, DESC submitted a motion to withdraw the 2015 Task Order filing and related refund analysis as requested by FERC staff. As a result, DESC recorded a $10 million ($7 million after-tax) benefit, primarily within interest charges in DESC's Consolidated Statements of Comprehensive Loss during the third quarter of 2019, to remove previously recorded reserves.

<u>2017 Tax Reform Act</u>

The 2017 Tax Reform Act lowered the federal corporate tax rate from 35% to 21% effective January 1, 2018. In response, the South Carolina Commission has required DESC to track and defer impacts related to the 2017 Tax Reform Act arising from customer rates in 2018 as subject to refund. In addition, as further discussed under Regulatory Assets and Regulatory Liabilities below, certain accumulated deferred income taxes contained within regulatory liabilities represent excess deferred income taxes arising from the remeasurement of deferred income taxes upon the enactment of the 2017 Tax Reform Act. Certain of these amounts are protected under normalization rules and will be amortized at the weighted average tax rate used to build the reserves over the remaining regulatory life of the property. Other, non-plant related regulatory liabilities will be amortized to the benefit of customers, as instructed by our regulators.

As part of the SCANA Combination, the South Carolina Commission approved credits of approximately $100 million by DESC for the impact of the lower federal tax rate resulting from the 2017 Tax Reform Act. The credits included amounts which had been collected through customer rates in 2018 and January 2019 and also included the effects of the amortization of certain excess deferred taxes during the same period. These credits were included in bills rendered on and after the first billing cycle of February 2019. In addition, the South Carolina Commission approved the implementation of a tax rider whereby amounts collected though customer rates effectively would be reduced and excess deferred income taxes arising from the remeasurement of deferred income taxes upon the enactment of the 2017 Tax Reform Act will be amortized to the benefit of customers. This tax rider reduced base rates to customers by approximately $63 million in 2019 and is expected to reduce these rates by $67 million in 2020. Unamortized excess deferred income taxes that remain at the end of 2020 will be considered in future rate proceedings.

DESC's provision of electric transmission service is pursuant to a FERC approved formula rate. In December 2019, FERC issued an order requiring transmission providers with transmission formula rates to account for the impacts of the 2017 Tax Reform Act on rates charged to customers. The order requires companies to include a mechanism to decrease or increase their income tax allowances to account for the 2017 Tax Reform Act and any other future changes in tax law, and to submit annual information reflecting the amortization of these excess deferred income taxes. DESC will make such changes to its formula rate as part of its annual update in May 2020.

In January 2020, GENCO filed to modify its formula rate to incorporate a mechanism to decrease or increase its income tax allowances by any excess deferred income taxes resulting from the 2017 Tax Reform Act, and future changes in tax laws. These modifications are expected to decrease charges to DESC for the power it purchases from GENCO.

Electric – BLRA

In July 2018, the South Carolina Commission issued orders implementing a legislatively-mandated temporary reduction in revenues that could be collected by DESC from customers under the BLRA. These orders reduced the portion of DESC's retail electric rates associated with the NND Project from approximately 18% of the average residential electric customer's bill to approximately 3%, which equates to a reduction in revenues of approximately $31 million per month, retroactive to April 1, 2018. As a result, in 2018 DESC recorded a charge of $109 million ($82 million after-tax) to operating revenues in DESC's Consolidated Statements of Comprehensive Loss. The temporary rate reduction remained in effect until February 2019 when rates pursuant to the SCANA Merger Approval Order became effective.

Other Regulatory Matters

Electric – Cost of Fuel

DESC's retail electric rates include a cost of fuel component approved by the South Carolina Commission which may be adjusted periodically to reflect changes in the price of fuel purchased by DESC.

In February 2020, DESC filed with the South Carolina Commission a proposal to decrease the total fuel cost component of retail electric rates. DESC's proposed decrease would reduce annual base fuel component recoveries by approximately $44 million and is projected to return to customers the existing over-collected balance while recovering DESC's current base fuel costs over the 12-month period beginning with the first billing cycle of May 2020. In addition, DESC proposed an increase to its variable environmental and DER components. A hearing was held in April 2020 and a South Carolina Commission order in this matter is pending.

In April 2019, the South Carolina Commission approved DESC's proposal to decrease the total fuel cost component of retail electric rates. DESC's proposal included maintaining its base fuel component at the current level to produce a projected under-recovered balance of $35 million at the end of the 12-month period beginning with the first billing cycle of May 2019 and requested carrying costs for any base fuel under-collected balances, should they occur. DESC also proposed reducing its variable environmental component and maintaining or reducing its DER components. Changes in rates became effective beginning with the first billing cycle of May 2019.

In April 2018, the South Carolina Commission approved DESC's proposal to increase the total fuel cost component of retail electric rates. Petitions for rehearing and reconsideration were filed by various parties, and on October 30, 2018, the South Carolina Commission issued an order granting one such petition related to DESC supplying certain information as in previous years. The other petitions were denied, and certain parties have appealed the decision to deny their petitions to the South Carolina Supreme Court. These appeals primarily relate to avoided cost rates that DESC is required to pay to solar energy developers, and these appeals are pending. DESC cannot predict the outcome of these matters.

Electric Transmission Projects

In 2020, DESC expects to begin several electric transmission projects in connection with two new nuclear plants under development by Southern. These transmission projects are required to be in place prior to these plants beginning operations to maintain reliability. DESC anticipates the projects to go into service in phases, costing approximately $75 million in aggregate. In February 2020, DESC filed an application with the South Carolina Commission requesting approval to construct and operate 28 miles of 230 kV transmission lines in Aiken County, South Carolina estimated to cost approximately $30 million. DESC and ORS entered into a Stipulation regarding the application that resolved all matters between the two parties on March 27, 2020. The merits hearing before the South Carolina Commission was held in April 2020. This matter is pending.

Electric – Other

DESC has approval for a DSM rider through which it recovers expenditures related to its DSM programs. In January 2019, DESC filed an application with the South Carolina Commission seeking approval to recover $30 million of costs incurred and net lost future

Exhibit C-1
Page 17 of 52

revenues associated with these programs, along with an incentive to invest in such programs. In April 2019, the South Carolina Commission approved the request for the rate year beginning with the first billing cycle of May 2019.

In January 2020, DESC submitted its annual DSM programs filing to the South Carolina Commission. If approved the filing would allow recovery of approximately $40 million of costs and net lost revenues associated with DSM programs, along with an incentive to invest in such programs. This matter is pending.

DESC utilizes a pension costs rider approved by the South Carolina Commission which is designed to allow recovery of projected pension costs, including under-collected balances or net of over-collected balances, as applicable. The rider is typically reviewed for adjustment every 12 months with any resulting increase or decrease going into effect beginning with the first billing cycle in May. No adjustment was made in 2019. In 2020, DESC requested that the South Carolina Commission approve an adjustment to this rider to decrease annual retail electric revenue by approximately $11 million. This matter is pending.

Gas

In June 2019, DESC filed with the South Carolina Commission its monitoring report for the 12-month period ended March 31, 2019 with a total revenue requirement of $437 million. This represents a $7 million overall increase to its natural gas rates under the terms of the RSA effective for the rate year beginning November 2019. In October 2019, the South Carolina Commission approved a total revenue requirement of $436 million effective with the first billing cycle of November 2019.

DESC's natural gas tariffs include a PGA that provides for the recovery of actual gas costs incurred, including transportation costs. DESC’s gas rates are calculated using a methodology which may adjust the cost of gas monthly based on a 12-month rolling average, and its gas purchasing policies and practices are reviewed annually by the South Carolina Commission.

Regulatory Assets and Regulatory Liabilities

Rate-regulated utilities recognize in their financial statements certain revenues and expenses in different periods than do other enterprises. As a result, DESC has recorded regulatory assets and regulatory liabilities which are summarized in the following table. Except for NND Project costs and certain other unrecovered plant costs, substantially all regulatory assets are either explicitly excluded from rate base or are effectively excluded from rate base due to their being offset by related liabilities.

At December 31,		2019	2018
(millions)			
Regulatory assets:			
NND Project costs[1]	$	138	127
Deferred employee benefit plan costs[2]		13	16
Other unrecovered plant[3]		14	14
DSM programs[4]		17	14
AROs[5]		28	—
Cost of fuel under-collections[6]		13	13
Other		47	40
Regulatory assets - current		270	224
NND Project costs[1]		2,503	2,641
AROs[5]		277	364
Cost of reacquired debt[7][8]		257	14
Deferred employee benefit plan costs[2]		195	256
Deferred losses on interest rate derivatives[9]		294	435
Other unrecovered plant[3]		69	79

DSM programs[4]		54		51
Environmental remediation costs[10]		22		24
Deferred storm damage costs[11]		44		35
Deferred transmission operating costs[12]		37		15
Other[13]		110		123
Regulatory assets - noncurrent		3,862		4,037
Total regulatory assets	$	4,132		4,261
Regulatory liabilities:				
Monetization of guaranty settlement[14]	$	67		61
Income taxes refundable through future rates[15]		15		52
Reserve for refunds to electric utility customers[16]		143		—
Other		30		13
Regulatory liabilities - current		255		126
Monetization of guaranty settlement[14]		970		1,037
Income taxes refundable through future rates[15]		910		607
Asset removal costs[17]		532		541
Deferred gains on interest rate derivatives[9]		71		75
Reserve for refunds to electric utility customers[16]		656		—
Other		13		4
Regulatory liabilities – noncurrent		3,152		2,264
Total regulatory liabilities	$	3,407		2,390

(1) Reflects expenditures associated with the NND Project, which pursuant to the SCANA Merger Approval Order, will be recovered from electric service customers over a 20-year period ending in 2039. See Note 12 for more information.

(2) Employee benefit plan costs have historically been recovered as they have been recorded under GAAP. Deferred employee benefit plan costs represent amounts of pension and other postretirement benefit costs which were accrued as liabilities and treated as regulatory assets pursuant to FERC guidance, and costs deferred pursuant to specific South Carolina Commission regulatory orders. DESC expects to recover deferred pension costs through utility rates over periods through 2044. DESC expects to recover other deferred benefit costs through utility rates, primarily over average service periods of participating employees up to 11 years.

(3) Represents the carrying value of coal-fired generating units, including related materials and supplies inventory, retired from service prior to being fully depreciated. DESC is amortizing these amounts through cost of service rates over the units' previous estimated remaining useful lives through 2025. Unamortized amounts are included in rate base and are earning a current return.

(4) Represents deferred costs associated with electric demand reduction programs, and such deferred costs are currently being recovered over five years through an approved rate rider.

(5) Represents deferred depreciation and accretion expense related to legal obligations associated with the future retirement of generation, transmission and distribution properties. The AROs primarily relate to DESC's electric generating facilities, including Summer, and are expected to be recovered over the related property lives and periods of decommissioning which may range up to approximately 105 years.

(6) Represents amounts under-collected from customers pursuant to the cost of fuel components approved by the South Carolina Commission.

(7) Costs of the reacquisition of debt are deferred and amortized as interest expense over the would-be remaining life of the reacquired debt or over the life of the replacement debt if refinanced. The reacquired debt had a weighted-average life of approximately 26 years as of December 31, 2019.

(8) During 2019, DESC purchased certain of its first mortgage bonds as discussed in Note 6. As a result of these transactions, DESC incurred net costs, including write-offs of unamortized discount, premium and debt issuance costs, of $270 million.

(9) Represents (i) the changes in fair value and payments made or received upon settlement of certain interest rate derivatives designated as cash flow hedges and (ii) the changes in fair value and payments made or received upon settlement of certain other interest rate derivatives not so designated. The amounts recorded with respect to (i) are expected to be amortized to interest expense over the lives of the underlying debt through 2043.The amounts recorded with respect to (ii) are expected to be similarly amortized to interest expense through 2065.

(10) Reflects amounts associated with the assessment and clean-up of sites currently or formerly owned by DESC. Such remediation costs are expected to be recovered over periods of up to 16 years. See Note 12 for more information.

(11) Represents storm restoration costs for which DESC expects to receive future recovery through customer rates.

(12) Includes deferred depreciation and property taxes associated with certain transmission assets for which DESC expects recovery from customers through future rates. See Note 12 for more information.

(13) Various other regulatory assets are expected to be recovered through rates over varying periods through 2047.

(14) Represents proceeds related to the monetization of the Toshiba Settlement. In accordance with the SCANA Merger Approval Order, this balance, net of amounts that may be required to satisfy liens, will be refunded to electric customers over a 20-year period ending in 2039. See Note 12 for more information.
(15) Includes (i) excess deferred income taxes arising from the remeasurement of deferred income taxes in connection with the enactment of the 2017 Tax Reform Act (certain of which are protected under normalization rules and will be amortized over the remaining lives of related property, and certain of which will be amortized to the benefit of customers over prescribed periods as instructed by regulators) and (ii) deferred income taxes arising from investment tax credits, offset by (iii) deferred income taxes that arise from utility operations that have not been included in customer rates (a portion of which relate to depreciation and are expected to be recovered over the remaining lives of the related property which may range up to 85 years). See Note 7 for more information.
(16) Reflects amounts previously collected from retail electric customers of DESC for the NND Project to be credited to customers over an estimated 11-year period in connection with the SCANA Merger Approval Order. See Note 12 for more information.
(17) Represents estimated net collections through depreciation rates of amounts to be expended for the removal of assets in the future.

Regulatory assets have been recorded based on the probability of their recovery. All regulatory assets represent incurred costs that may be deferred under GAAP for regulated operations. The South Carolina Commission or the FERC has reviewed and approved through specific orders certain of the items shown as regulatory assets. In addition, regulatory assets include, but are not limited to, certain costs which have not been specifically approved for recovery by one of these regulatory agencies, including deferred transmission operating costs that are the subject of regulatory proceedings as discussed in Note 12. While such costs are not currently being recovered, management believes that they would be allowable under existing rate-making concepts embodied in rate orders or applicable state law and expects to recover these costs through rates in future periods.

4. OPERATING REVENUE

The Company's operating revenue, subsequent to the adoption of revised guidance for revenue recognition from contracts with customers, consists of the following:

Year Ended December 31,	2019		2018	
(millions)	Electric	Gas	Electric	Gas
Customer class:				
Residential	$ 669	$ 194	$ 1,054	$ 208
Commercial	507	111	744	117
Industrial	224	81	385	92
Other	116	18	132	17
Revenues from contracts with customers	1,516	404	2,315	434
Other revenues	9	—	12	1
Total Operating Revenues	$ 1,525	$ 404	$ 2,327	$ 435

Contract liabilities represent the obligation to transfer goods or services to a customer for which consideration has already been received from the customer. DESC had contract liability balances of $9 million and $4 million at December 31, 2019 and 2018, respectively. For the years ended December 31, 2019 and 2018, DESC recognized revenue of $3 million and $4 million from the beginning contract liability balances as DESC fulfilled its obligations to provide service to its customers. Contract liabilities are recorded in customer deposits and customer prepayments in the Consolidated Balance Sheets.

Contract Costs

Costs to obtain contracts are generally expensed when incurred. In limited instances, DESC provides economic development grants intended to support economic growth within DESC's electric service territory and defers such grants as regulatory assets on the Consolidated Balance Sheets. Whenever these grants are contingent on a customer entering into a long-term electric supply contract with DESC, they are considered costs to obtain that underlying contract. Such costs that exceed certain thresholds are deferred and amortized on a straight-line basis over the term of the related service contract, which generally ranges from ten to 15 years.

Balances and activity related to contract costs deferred as regulatory assets were as follows:

	Regulatory Assets	
(millions)	2019	2018
Beginning balance, January 1	$ 15	$ 16
Amortization	(2)	(1)
Ending balance, December 31	$ 13	$ 15

5. EQUITY

For all periods presented, DESC's authorized shares of common stock, no par value, were 50 million, of which 40.3 million were issued and outstanding, and DESC's authorized shares of preferred stock, no par value, were 20 million, of which 1,000 shares were issued and outstanding. All outstanding shares of common and preferred stock are held by SCANA.

In 2019, DESC received equity contributions of $835 million from SCANA which were funded by Dominion Energy. DESC primarily used these funds to redeem long-term debt and to repay intercompany credit agreement borrowings from Dominion Energy. See Note 6.

DESC’s bond indenture under which it issues first mortgage bonds contains provisions that could limit the payment of cash dividends on its common stock. DESC's bond indenture permits the payment of dividends on DESC's common stock only either (1) out of its Surplus (as defined in the bond indenture) or (2) in case there is no Surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. In addition, the Federal Power Act requires the appropriation of a portion of certain earnings from hydroelectric projects. At both December 31, 2019 and 2018, retained earnings of $115 million were restricted by this requirement as to payment of cash dividends on DESC’s common stock. In addition, pursuant to the SCANA Merger Approval Order, the amount of any DESC dividends paid must be reasonable and consistent with the long-term payout ratio of the electric utility industry and gas distribution industry.

At December 31, 2019, DESC’s retained earnings are below the balance established by the Federal Power Act as a reserve on earnings attributable to hydroelectric generation plants. As a result, DESC is prohibited from the payment of dividends without regulatory approval until the balance of its retained earnings increases.

6. LONG-TERM AND SHORT-TERM DEBT

Long-term debt by type with related weighted-average coupon rates and maturities at December 31, 2019 and 2018 is as follows:

At December 31,	2019 Weighted-average Coupon(1)	2019	2018
(millions, except percentages)			
DESC:			
First Mortgage Bonds, 3.22% to 6.625%, due 2021 to 2065(2)	5.42%	$ 3,267	$ 4,990
Tax-Exempt Financings:			
Variable rate due 2038	1.65%	35	35
3.625% and 4.00%, due 2028 and 2033	3.90%	54	54
Other	3.69%	1	—
Total principal		3,357	5,079
Securities due within one year		—	(7)
Unamortized discount, premium and debt issuance costs, net		(31)	(36)
Finance leases		20	30
Total long-term debt		$ 3,346	$ 5,066

(1) Represents weighted-average coupon rates for debt outstanding as of December 31, 2019.

(2) In February, March and September 2019, DESC purchased certain of its first mortgage bonds having an aggregate purchase price of $1.8 billion pursuant to tender offers. The February and March tender offers expired in the first quarter of 2019 and the September tender offer expired in the third quarter of 2019.

Based on stated maturity dates rather than early redemption dates that could be elected by instrument holders, the scheduled principal payments of long-term debt at December 31, 2019, were as follows:

(millions, except percentages)	2020	2021	2022	2023	2024	Thereafter	Total
First Mortgage Bonds	$ —	$ 33	$ —	$ —	$ —	$ 3,234	$ 3,267
Tax-Exempt Financings	—	—	—	—	—	89	89
Other	—	—	—	—	—	1	1
Total	$ —	$ 33	$ —	$ —	$ —	$ 3,324	$ 3,357
Weighted-average coupon		3.25%				5.38%	

Substantially all of DESC's electric utility plant is pledged as collateral in connection with long-term debt.

DESC is subject to a bond indenture dated April 1, 1993 (Mortgage) covering substantially all of its electric properties under which all of its first mortgage bonds (Bonds) have been issued. Bonds may be issued under the Mortgage in an aggregate principal amount not exceeding the sum of (1) 70% of Unfunded Net Property Additions (as therein defined), (2) the aggregate principal amount of retired Bonds and (3) cash deposited with the trustee. Bonds, other than certain Bonds issued on the basis of retired Bonds, may be issued under the Mortgage only if Adjusted Net Earnings (as therein defined) for 12 consecutive months out of the 18 months immediately preceding the month of issuance are at least twice (2.0) the annual interest requirements on all outstanding Bonds and Bonds to be issued (Bond Ratio). For the year ended December 31, 2019, the Bond Ratio was 6.88. Adjusted Net Earnings, as therein defined, excludes the impairment loss.

Short-Term Debt

In March 2019, DESC became a co-borrower under Dominion Energy's $6.0 billion joint revolving credit facility. DESC's short-term financing is supported through its access to this joint revolving credit facility, which can be used for working capital, as support for the combined commercial paper programs of DESC, Dominion Energy and certain other of its subsidiaries (co-borrowers), and for other general corporate purposes.

DESC's share of commercial paper and letters of credit outstanding under its joint credit facility with Dominion Energy, were as follows:

(millions)	Facility Limit	Outstanding Commercial Paper	Outstanding Letters of Credit
At December 31, 2019	$ 1,000	$ —	$ —

A maximum of $1.0 billion of the facility is available to DESC, less any amounts outstanding to co-borrowers. A sub-limit for DESC is set within the facility limit but can be changed at the option of the co-borrowers multiple times per year. At December 31, 2019, the sub-limit for DESC was $500 million. If DESC has liquidity needs in excess of its sub-limit, the sub-limit may be changed or such needs may be satisfied through short-term borrowings from DESC's parent or from Dominion Energy. This credit facility matures in March 2023 and can be used to support bank borrowings and the issuance of commercial paper, as well as to support up to $1.0 billion (or the sub-limit, whichever is less) of letters of credit.

Also in March 2019, DESC canceled its previous committed long-term facility which was a revolving line of credit under a credit agreement with a syndicate of banks. This previous credit agreement was used for general corporate purposes, including liquidity support for DESC's commercial paper program and working capital needs, and was set to expire in December 2020.

(millions)	Facility Limit(1)	Outstanding Commercial Paper	Outstanding Letters of Credit
At December 31, 2018	$ 1,200	$ 73	$ —

(1) Included $500 million related to Fuel Company. In February 2019, Fuel Company's commercial paper program and its credit facility were terminated.

The weighted-average interest rate of the outstanding commercial paper supported by this credit facility was 3.82% at December 31, 2018.

In April 2019, DESC renewed its FERC authority through April 2020 to issue short-term indebtedness (pursuant to Section 204 of the Federal Power Act) in amounts not to exceed $2.2 billion outstanding with maturity dates of one year or less. In January 2020, DESC applied to FERC for a two-year short-term borrowing authorization. In March 2020, FERC approved the borrowing authorization for the Company through April 2021, which reflects a one-year authorization period rather than the two-year period the Company had requested.

DESC is obligated with respect to an aggregate of $35 million of industrial revenue bonds which are secured by letters of credit. These letters of credit expire, subject to renewal, in the fourth quarter of 2020.

DESC received FERC approval to enter into an inter-company credit agreement in April 2019 with Dominion Energy under which DESC may have short-term borrowings outstanding up to $900 million. At December 31, 2019, DESC had borrowings outstanding under this credit agreement totaling $355 million, which are recorded in affiliated and related party payables in DESC's Consolidated Balance Sheets. For the twelve months ended December 31, 2019, DESC recorded interest charges of $3 million.

DESC participated in a utility money pool with SCANA and another regulated subsidiary of SCANA through April 2019. Fuel Company remained in the utility money pool. Money pool borrowings and investments bear interest at short-term market rates. For the years ended December 31, 2019 and 2018, DESC recorded interest income from money pool transactions of $8 million and $1 million, respectively, and for the same periods DESC recorded interest expense from money pool transactions of $6 million and $1 million, respectively. DESC had outstanding money pool borrowings due to an affiliate of $219 million at December 31, 2019. At December 31, 2018, DESC had outstanding money pool borrowings due to an affiliate of $115 million and investments due from an affiliate of $353 million. On its Consolidated Balance Sheets, DESC includes money pool borrowings within affiliated and related party payables and money pool investments within affiliated and related party receivables.

7. INCOME TAXES

Judgment and the use of estimates are required in developing the provision for income taxes and reporting of tax-related assets and liabilities. The interpretation of tax laws involves uncertainty, since tax authorities may interpret the laws differently. DESC is routinely audited by federal and state tax authorities. Ultimate resolution of income tax matters may result in favorable or unfavorable impacts to net income and cash flows, and adjustments to tax-related assets and liabilities could be material.

The 2017 Tax Reform Act included a broad range of tax reform provisions. The 2017 Tax Reform Act reduced the corporate income tax rate from 35% to 21% for tax years beginning after December 31, 2017. At the date of enactment, deferred tax assets and liabilities were remeasured based upon the new 21% enacted tax rate expected to apply when temporary differences are realized or settled. The specific provisions related to regulated public utilities in the 2017 Tax Reform Act generally allow for the continued deductibility of interest expense, changed the tax depreciation of certain property acquired after September 27, 2017, and continued certain rate normalization requirements for accelerated depreciation benefits.

As indicated in Note 2, DESC's operations, including accounting for income taxes, are subject to regulatory accounting treatment. For regulated operations, many of the changes in deferred taxes represent amounts probable of collection from or refund to customers, and were recorded as either an increase to a regulatory asset or liability. The 2017 Tax Reform Act included provisions that stipulate how these excess deferred taxes may be passed back to customers for certain accelerated tax depreciation benefits. Potential sharing of other deferred taxes will be determined by our regulators. See Note 3 for more information.

DESC has completed the accounting for the effects of the 2017 Tax Reform Act, although changes could occur as additional guidance is issued and finalized, particularly as it relates to the deductibility of interest expense in consolidated groups such as Dominion Energy. In addition, the major states in which DESC operates have addressed conformity with some or all of the provisions of the 2017 Tax Reform Act, although they may have modified certain provisions.

The Company's operations, including accounting for income taxes, are subject to regulatory accounting treatment. For regulated operations, many of the changes in deferred taxes mandated by the 2017 Tax Reform Act represented amounts probable of collection from or return to customers, and were recorded as either an increase to regulatory assets in account 182.3 – Other Regulatory Assets or an increase to regulatory liabilities in account 254 – Other Regulatory Liabilities. Those regulatory assets or liabilities created a temporary difference for which a deferred tax liability in account 282 – Accum. Deferred Income Taxes – Other Property or 283 – Accum. Deferred Income Taxes - Other or a deferred tax asset in account 190 – Accumulated Deferred Income Taxes were required to be recognized consistent with the accounting guidance issued by the FERC Chief Accountant in Docket No. AI93-5-000 with respect to changes in tax law or rates. The Company has certain regulatory assets and liabilities that have not yet been charged or returned to customers through rates.

The Company has recorded an estimate of excess deferred income tax (EDIT) amortization in 2019 and estimates of amounts probable of collection from or return to customers. The Company has recorded the amortization of the excess and/or deficient accumulated deferred income taxes recorded in Account 254 and/or Account 182.3 by recording the offsetting entries to Account 410.1 – Provision for Deferred Income Taxes or Account 411.1 – Provision for Deferred Income Taxes - Cr, as required by the Uniform System of Accounts (USofA). The 2017 Tax Reform Act included provisions that stipulate how plant-related, or "protected", EDIT may be amortized, and the FERC has provided guidance on the amortization of non-plant-related, or "unprotected" differences. The Company is using the average rate assumption method (ARAM) to calculate the amortization of its excess accumulated deferred income taxes associated with plant-related temporary differences. Under ARAM, the excess accumulated deferred income taxes will reverse at the weighted average rate at which the deferred taxes were built over the remaining book life of the property to which those deferred taxes relate. These reversal periods average 50 years. For non-plant-related excess or deficient accumulated deferred income taxes, the balances will reverse over 5 years, or in the case of Nuclear Project-related EDIT, 20 years. These EDIT balances will be included in the Company's state jurisdictional retail rates over the amortization periods and are expected to be included in future FERC jurisdictional transmission rates over similar periods. Electric amortization began February 2019. Gas amortization began November 2018.

Excess Deferred Income Tax – Electric
(thousands)

	Protected	**Unprotected**	**Total**
Total EDIT Regulatory (Liability)Asset – Account 254 Other Regulatory Liability	$(313,961)	$(545,546)	$(859,507)
Deferred Taxes on EDIT Regulatory Liability	78,333	136,114	214,447
Adjusted Excess Deferred Income Tax – 12/31/17	$(235,628)	$(409,432)	$(645,060)
2019 EDIT Amortization – 410.1 and 411.1	$ (47,032)	$ 23,765	$ 23,267

Exhibit C-1
Page 24 of 52

Excess Deferred Income Tax – Gas
(thousands)

	Protected	Unprotected	Total
Total EDIT Regulatory (Liability)Asset – Account 254 Other Regulatory Liability	$(76,091)	$(7,645)	$(83,736)
Deferred Taxes on EDIT Regulatory Liability	18,985	1,907	20,892
Adjusted Excess Deferred Income Tax – 12/31/17	$(57,106)	$(5,738)	$(62,844)
2019 EDIT Amortization – 410.1 and 411.1	$ 726	$ 1,148	$ 1,874

Excess Deferred Income Tax – FERC Regulated
(thousands)

	Protected	Unprotected	Total
Total EDIT Regulatory (Liability)Asset – Account 254 Other Regulatory Liability	$(107,392)	-	$(107,392)
Deferred Taxes on EDIT Regulatory Liability	26,794	-	26,794
Adjusted Excess Deferred Income Tax – 12/31/17	$ (80,598)	-	$ (80,598)
2019 EDIT Amortization – 410.1 and 411.1	$ 1,199	-	$ 1,199

Details of income tax expense for continuing operations including noncontrolling interests were as follows:

Year Ended December 31,	2019	2018	2017
(millions)			
Current:			
Federal	$ (18)	$ (17)	$ (411)
State	36	—	(19)
Total current expense (benefit)	18	(17)	(430)
Deferred:			
Federal			
Taxes before operating loss carryforwards, investment tax credits and tax reform	(270)	(223)	256
2017 Tax Reform Act impact	—	(176)	(1)
Tax utilization expense of operating loss carryforwards	103	46	—
State	(66)	(53)	(3)
Total deferred expense (benefit)	(233)	(406)	252
Investment tax credit-amortization	(1)	(2)	(1)
Total income tax expense (benefit)	$ (216)	$ (425)	$ (179)

The 2017 Tax Reform Act reduced the statutory federal income tax rate to 21% beginning in January 2018. Accordingly, current and deferred income taxes are recorded at the new 21% rate.

Subsequent to the SCANA Combination, DESC's annual utilization of its net operating losses are restricted by the tax law, however in certain circumstances the utilization may be increased if SCANA recognizes built-in gains on certain sales of assets. In December 2019, SCANA recognized a gain on the sale of SCANA Energy Marketing, Inc.'s assets to Dominion Energy, which increased the amount of DESC's 2019 net operating loss utilization by approximately $79 million.

For continuing operations including noncontrolling interests, the statutory U.S. federal income tax rate reconciles to DESC's effective income tax rate as follows:

Year Ended December 31,	2019	2018	2017
U.S. statutory rate	21.0%	21.0%	35.0%
Increases (reductions) resulting from:			
State taxes, net of federal benefit	3.4	3.7	2.5
State investment tax credits	—	0.3	1.4
AFUDC - equity	—	0.2	1.4
Amortization of federal investment tax credits	0.1	0.2	0.3
Production tax credits	0.4	0.8	2.2
Domestic production activities deduction	—	—	4.9
Reversal of excess deferred income taxes	(1.4)	—	—
Federal legislative change	0.1	16.5	0.3
NND Project impairment	(2.0)	(2.2)	—
Write-off of regulatory asset	(2.5)	—	—
Changes in unrecognized tax benefits	(4.0)	—	—
Other	(0.2)	(0.6)	1.3
Effective tax rate	14.9%	39.9%	49.3%

At DESC, deferred taxes will reverse at the weighted average rate used to originate the deferred tax liability, which in some cases will be 35%. DESC has recorded an estimate of excess deferred income tax amortization in 2019, and changes in estimates of amounts probable of collection from or return to customers. DESC recorded deferred income tax expense of $30 million with a corresponding increase to regulatory liabilities by $40 million and deferred tax assets by $10 million related to adjustments of amounts probable of return to customers on the nuclear project. The reversal of these excess deferred income taxes will impact the effective tax rate and rates charged to customers. See Note 3 for current year developments.

In connection with the SCANA Combination, Dominion Energy committed to forgo, or limit, the recovery of certain income tax-related regulatory assets associated with the NND Project. In accordance with FERC Policy, for FERC Reporting, DESC reflected $194 million expense in Account 426.5 – Other Deductions in satisfaction of this commitment, which also impacted the effective tax rate.

In connection with the remeasurement of federal deferred income tax assets and liabilities resulting from the lower federal income tax rate, DESC recorded a deferred income tax benefit of approximately $1 million in the statements of operations for the year ended December 31, 2017. As a result of the filing of the 2017 tax return in the fourth quarter of 2018 and the additional impairment charges recorded in 2018, adjustments to such excess deferred income taxes of approximately $176 million were recorded. Also in connection with the additional impairment charges, DESC recorded additional adjustments to deferred income taxes in the aggregate amount of approximately $23 million.

DESC's deferred income taxes consist of the following:

At December 31,	2019	2018
(millions)		
Deferred income taxes:		
Total deferred income tax assets	$ 1,362	$ 971
Total deferred income tax liabilities	1,909	1,894
Total net deferred income tax liabilities	$ 547	$ 923
Total deferred income taxes:		
Depreciation method and plant basis differences	$ 945	$ 938
Excess deferred income taxes	(221)	(138)
Unrecovered nuclear plant cost	553	584

DESC rate refund	(169)	(1)
Toshiba settlement	(219)	(231)
Nuclear decommissioning	(43)	(9)
Deferred state income taxes	184	282
Federal benefit of deferred state income taxes	(39)	(59)
Deferred fuel, purchased energy and gas costs	7	1
Pension benefits	46	46
Other postretirement benefits	(35)	(35)
Loss and credit carryforwards	(389)	(525)
Other	(73)	70
Total net deferred income tax liabilities	547	923
Deferred Investment Tax Credits-Regulated Operations	18	18
Total Deferred Taxes and Deferred Investment Tax Credits	$ 565	$ 941

At December 31, 2019, DESC had the following deductible loss and credit carryforwards:

(millions)	Deductible Amount	Deferred Tax Asset	Expiration Period
Federal losses	$ 1,207	$ 254	2037
Federal production and other credits	—	38	2031-2038
State losses	1,849	92	2037
State investment and other credits	—	31	2026-2031
Total	$ 3,056	$ 415	

A reconciliation of changes in DESC's unrecognized tax benefits follows:

(millions)	2019	2018	2017
Balance at January 1	$ 106	$ 98	$ 350
Increases-prior period positions	70	8	—
Decreases-prior period positions	(53)	—	(273)
Increases-current period positions	3	—	21
Balance at December 31	$ 126	$ 106	$ 98

Throughout 2019, the evaluation of federal and state income tax positions taken in DESC's tax returns prior to the SCANA Combination increased unrecognized tax benefits by $79 million and increased income tax expense by $67 million. In the fourth quarter of 2019, DESC also remeasured its beginning unrecognized tax benefits by $53 million. These changes were offset by a $45 million reduction in credit carryforward deferred tax assets and a $7 million increase to accrued taxes resulting in a $1 million benefit to income tax expense.

Certain unrecognized tax benefits, or portions thereof, if recognized, would affect the effective tax rate. Changes in these unrecognized tax benefits may result from remeasurement of amounts expected to be realized, settlements with tax authorities and expiration of statutes of limitations. If recognized, all the unrecognized tax benefits would impact the effective tax rate.

The statute is closed for IRS examination of years prior to 2010, except for certain outstanding refund claims. The IRS has completed examinations of DESC's federal returns through 2012. The IRS is currently examining DESC's federal returns from 2013 through 2017. With few exceptions, DESC is no longer subject to state and local income tax examinations by tax authorities for years prior to 2012.

It is reasonably possible that these unrecognized tax benefits may decrease by $65 million within the next twelve months. If such changes were to occur, other than revisions of the accrual for interest on tax underpayments and overpayments, earnings could

Exhibit C-1
Page 27 of 52

increase by up to $4 million. Otherwise, with regard to 2019 and prior years, DESC cannot estimate the range of reasonably possible changes to unrecognized tax benefits that may occur in 2020.

DESC is also obligated to report adjustments resulting from IRS settlements to state tax authorities. In addition, if DESC utilizes operating losses or tax credits generated in years for which the statute of limitations has expired, such amounts are generally subject to examination.

8. DERIVATIVE FINANCIAL INSTRUMENTS

See Note 2 for the Company's accounting policies, objectives, and strategies for using derivative instruments. See Note 9 for further information about fair value measurements and associated valuation methods for derivatives.

Derivative assets and liabilities are presented gross on the Company's Consolidated Balance Sheets. DESC's derivative contracts include over-the-counter transactions. Over-the-counter contracts are bilateral contracts that are transacted directly with a third party. Certain over-the-counter contracts contain contractual rights of setoff through master netting arrangements and contract default provisions. In addition, the contracts are subject to conditional rights of setoff through counterparty nonperformance, insolvency, or other conditions.

In general, most over-the-counter transactions are subject to collateral requirements. Types of collateral for over-the-counter contracts include cash, letters of credit, and, in some cases, other forms of security, none of which are subject to restrictions. Cash collateral is used in the table below to offset derivative assets and liabilities.

Certain DESC derivative instruments contain credit-related contingent provisions. These provisions require DESC to provide collateral upon the occurrence of specific events, primarily a credit rating downgrade. DESC's derivatives with credit-related contingent provisions that were in a liability position were fully collateralized with cash at December 31, 2019 and 2018.

The table below presents derivative balances by type of financial instrument, if the gross amounts recognized in the Consolidated Balance Sheets were netted with derivative instruments and cash collateral received or paid:

	December 31, 2019				December 31, 2018			
		Gross Amounts Not Offset in the Consolidated Balance Sheet				Gross Amounts Not Offset in the Consolidated Balance Sheet		
(millions)	Gross Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts	Gross Liabilities Presented in the Consolidated Balance Sheet	Financial Instruments	Cash Collateral Paid	Net Amounts
Interest rate contracts:								
Over-the-counter	$ 7	$ —	$ (7)	$ —	$ 3	$ —	$ (3)	$ —
Total derivatives	$ 7	$ —	$ (7)	$ —	$ 3	$ —	$ (3)	$ —

Volumes

The following table presents the volume of derivative activity at December 31, 2019. These volumes are based on open derivative positions and represent the combined absolute value of their long and short positions.

	Current	Noncurrent
Interest rate(1)	$ —	$ 35,000,000

(1) Maturity is determined based on final settlement period.

Fair Value and Gains and Losses on Derivative Instruments

The following table presents the fair values of derivatives and where they are presented in the Consolidated Balance Sheets:

(millions)	Fair Value - Derivatives not under Hedge Accounting
At December 31, 2019	
Current Liabilities	
Interest rate	$ 1
Total current derivative liabilities(1)	1
Noncurrent Liabilities	
Interest rate	6
Total noncurrent derivative liabilities(2)	6
Total derivative liabilities	$ 7
At December 31, 2018	
Current Liabilities	
Interest rate	$ —
Total current derivative liabilities(1)	—
Noncurrent Liabilities	
Interest rate	3
Total noncurrent derivative liabilities(2)	3
Total derivative liabilities	$ 3

(1) Current derivative liabilities are presented in other current liabilities in the Consolidated Balance Sheets.
(2) Noncurrent derivative liabilities are presented in other deferred credits and other liabilities in the Consolidated Balance Sheets.

The following tables present the gains and losses on derivatives, as well as where the associated activity is presented in its Consolidated Balance Sheets and Statements of Comprehensive Income (Loss):

Derivatives Not designated as Hedging Instruments

(millions)	Amount of Gain (Loss) Recognized in Income on Derivatives(1)		
Year Ended December 31,	2019	2018	2017
Derivative type and location of gains (losses):			
Interest rate contracts:			
Interest charges	$ (1)	$ (2)	$ (3)
Other income	—	115	—
Impairment loss	—	—	(173)
Total	$ (1)	$ 113	$ (176)

(1) Includes derivative activity amortized out of regulatory assets/liabilities. Amounts deferred into regulatory assets/liabilities have no associated effect in the Consolidated Statements of Comprehensive Loss.

9. FAIR VALUE MEASUREMENTS, INCLUDING DERIVATIVES

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. Fair values are based on assumptions that market participants would use when pricing an asset or liability, including assumptions about risk and the risks inherent in valuation techniques and the inputs to valuations. This includes not only the credit standing of counterparties involved and the impact of credit enhancements but also the impact of DESC's own nonperformance risk on their liabilities. Fair value measurements assume that the transaction occurs in the principal market for the asset or liability (the market with the most volume and activity for the asset or liability from the perspective of the reporting entity), or in the absence of a principal market, the most advantageous market for the asset or liability (the market in which the reporting entity would be able to maximize the amount received or minimize the amount paid). DESC applies fair value measurements to interest rate assets and liabilities. DESC's interest rate swap agreements are valued using discounted cash flow models with independently sourced data. DESC applies credit adjustments to its derivative fair values in accordance with the requirements described above.

Inputs and Assumptions

Fair value is based on actively-quoted market prices, if available. In the absence of actively-quoted market prices, price information is sought from external sources, including industry publications. The inputs and assumptions used in measuring fair value for interest rate derivative contracts include the following:

- Interest rate curves
- Credit quality of counterparties and DESC
- Notional value
- Credit enhancements
- Time value

Levels

DESC utilizes the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1-Quoted prices (unadjusted) in active markets for identical assets and liabilities that they have the ability to access at the measurement date.
- Level 2-Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Instruments categorized in Level 2 include interest rate swaps.
- Level 3-Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity for the asset or liability.

The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In these cases, the lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

Recurring Fair Value Measurements

Fair value disclosures for assets held in DESC's pension and other postretirement benefit plans are presented in Note 11.

Exhibit C-1
Page 30 of 52

The following table presents DESC's liabilities that are measured at fair value on a recurring basis for each hierarchy level, including both current and noncurrent portions:

(millions)	Level 1	Level 2	Level 3	Total
At December 31, 2019				
Liabilities				
Interest rate	$ —	$ 7	$ —	$ 7
Total liabilities	$ —	$ 7	$ —	$ 7
At December 31, 2018				
Liabilities				
Interest rate	$ —	$ 3	$ —	$ 3
Total liabilities	$ —	$ 3	$ —	$ 3

Fair Value of Financial Instruments

Substantially all of DESC's financial instruments are recorded at fair value, with the exception of the instruments described below, which are reported at historical cost. Estimated fair values have been determined using available market information and valuation methodologies considered appropriate by management. The carrying amount of financial instruments classified within current assets and current liabilities are representative of fair value because of the short-term nature of these instruments. For financial instruments that are not recorded at fair value, the carrying amounts and estimated fair values are as follows:

At December 31,	2019		2018	
(millions)	Carrying Amount	Estimated Fair Value(1)	Carrying Amount	Estimated Fair Value(2)
Long-term debt(3)	$ 3,325	$ 4,229	$ 5,072	$ 5,396

(1) Fair value is estimated using market prices, where available, and interest rates currently available for issuance of debt with similar terms and remaining maturities. All fair value measurements are classified as Level 2. The carrying amount of debt issuances with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(2) Fair value is estimated based on net present value calculations using independently sourced market data that incorporate a developed discount rate using similarly rated long-term debt, along with benchmark interest rates. All fair value measurements are classified as Level 2. The carrying amount of debt issuances with short-term maturities and variable rates refinanced at current market rates is a reasonable estimate of their fair value.

(3) Carrying amount includes current portions included in securities due within one year and amounts which represent the unamortized debt issuance costs and discount or premium.

10. ASSET RETIREMENT OBLIGATIONS

A liability for the present value of an ARO is recognized when incurred if the liability can be reasonably estimated. Uncertainty about the timing or method of settlement of a conditional ARO is factored into the measurement of the liability when sufficient information exists, but such uncertainty is not a basis upon which to avoid liability recognition.

The legal obligations associated with the retirement of long-lived tangible assets that result from their acquisition, construction, development and normal operation relate primarily to DESC's regulated utility operations. As of December 31, 2019, DESC has recorded AROs of $177 million for nuclear plant decommissioning. At December 31, 2019, DESC had $214 million in a trust for its two-thirds share of decommissioning activities. In addition, DESC has recorded AROs of $298 million for other conditional obligations primarily related to other generation, transmission and distribution properties, including gas pipelines. All of the amounts recorded are based upon estimates which are subject to varying degrees of precision, particularly since such payments will be made many years in the future.

A reconciliation of the beginning and ending aggregate carrying amount of AROs is as follows:

(millions)	2019	2018
Beginning balance	$ 528	$ 516
Liabilities settled	(29)	(15)
Accretion expense	22	23
Revisions in estimated cash flows(1)	(46)	4
Ending balance	$ 475	$ 528

(1) The decrease in 2019 reflects a change in the estimated timing of cash flows for interim pipeline replacements and DOE recoveries.

11. EMPLOYEE BENEFIT PLANS AND EQUITY COMPENSATION PLAN

Pension and Other Postretirement Benefit Plans

SCANA sponsors a noncontributory defined benefit pension plan that covers regular, full-time employees hired before January 1, 2014. DESC participates in SCANA's pension plan. SCANA's policy has been to fund the plan as permitted by applicable federal income tax regulations, as determined by an independent actuary.

The pension plan provides benefits under a cash balance formula for employees hired before January 1, 2000 who elected that option and all eligible employees hired subsequently. Under the cash balance formula, benefits accumulate as a result of compensation credits and interest credits. Employees hired before January 1, 2000 who elected to remain under the final average pay formula earn benefits based on years of credited service and the employee's average annual base earnings received during the last three years of employment. Benefits under the cash balance formula will continue to accrue through December 31, 2020, after which date no benefits will be accrued except that participants under the cash balance formula will continue to earn interest credits. Benefits under the final average pay formula will continue to accrue through December 31, 2023, after which date no benefits will be accrued. Once the benefits under SCANA's pension plan no longer accrue, eligible participants will accrue benefits under a cash balance plan sponsored by Dominion Energy.

In addition to pension benefits, SCANA provides certain unfunded postretirement health care and life insurance benefits to certain active and retired employees. DESC participates in these programs. Retirees hired before January 1, 2011 share in a portion of their medical care cost, while employees hired subsequently are responsible for the full cost of retiree medical benefits elected by them. The costs of postretirement benefits other than pensions are accrued during the years the employees render the services necessary to be eligible for these benefits.

The same benefit formula applies to all SCANA subsidiaries participating in the parent sponsored plans and, with regard to the pension plan, there are no legally separate asset pools. The postretirement benefit plans are accounted for as multiple employer plans.

Voluntary Retirement Program

In March 2019, Dominion Energy announced a voluntary retirement program to employees, including employees of DESC, that meet certain age and service requirements. The voluntary retirement program will not compromise safety or DESC's ability to comply with applicable laws and regulations. In 2019, upon the determinations made concerning the number of employees that elected to participate in the program, DESC recorded a charge of $62 million ($47 million after-tax), of which $51 million was included within other operations and maintenance expense, $3 million within other taxes and $8 million within other income (expense), net. In addition, as a result of the voluntary retirement program, DESC recorded pension plan settlement losses of $16 million within other income (expense), net in 2019.

In the second quarter of 2019, DESC remeasured its pension and other postretirement benefit plans as a result of the voluntary retirement program. The remeasurement resulted in an increase in the pension benefit obligation of $16 million and an increase in the accumulated postretirement benefit obligation of $10 million. In addition, the remeasurement resulted in an increase in the fair value of pension plan assets of $27 million. The impact of the remeasurement on net periodic benefit cost was recognized prospectively from the remeasurement date. The discount rate used for the remeasurement was 4.07% for the pension plan and 4.08% for the other postretirement benefit plan. All other assumptions used for the remeasurement were consistent with the measurement as of December 31, 2018.

In the third quarter of 2019, DESC remeasured a pension plan as a result of a settlement from the voluntary retirement program. The settlement and related remeasurement resulted in an increase in the pension benefit obligation of $25 million and an increase in the fair value of the pension plan assets of $35 million for DESC. The impact of the remeasurement on net periodic benefit cost (credit) was recognized prospectively from the remeasurement date. The discount rate used for the remeasurement was 3.57%. All other assumptions used for the remeasurement were consistent with the measurement as of December 31, 2018.

Changes in Benefit Obligations

The measurement date used to determine pension and other postretirement benefit obligations is December 31. Data related to the changes in the projected benefit obligation for pension benefits and the accumulated benefit obligation for other postretirement benefits are presented below.

	Pension Benefits		Other Postretirement Benefits	
(millions)	2019	2018	2019	2018
Benefit obligation, January 1	$ 732	$ 793	$ 187	$ 216
Service cost	15	17	3	3
Interest cost	28	29	9	8
Plan participants' contributions	—	—	1	1
Actuarial (gain) loss	47	(46)	23	(30)
Benefits paid	(21)	(19)	(13)	(10)
Settlements	(80)	(42)	—	—
Curtailment	6	—	3	—
Amounts funded to parent	—	—	—	(1)
Benefit obligation, December 31	$ 727	$ 732	$ 213	$ 187

The accumulated benefit obligation for pension benefits for DESC was $711 million at the end of 2019 and $714 million at the end of 2018. The accumulated pension benefit obligation differs from the projected pension benefit obligation above in that it reflects no assumptions about future compensation levels.

Significant assumptions used to determine the above benefit obligations are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2019	2018	2019	2018
Annual discount rate used to determine benefit obligation	3.47%	4.35%	3.52%	4.38%
Assumed annual rate of future salary increases for projected benefit obligation	3.00%	3.00%	N/A	N/A

A 6.6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2019. The rate was assumed to decrease gradually to 5.0% for 2023 and to remain at that level thereafter.

A one percent increase in the assumed health care cost trend rate for DESC would increase the postretirement benefit obligation by less than $1 million at December 31, 2019 and by $1 million at December 31, 2018. A one percent decrease in the assumed health care cost trend rate for DESC would decrease the postretirement benefit obligation by less than $1 million at December 31, 2019 and by $1 million at December 31, 2018.

Funded Status

At December 31,	Pension Benefits 2019	Pension Benefits 2018	Other Postretirement Benefits 2019	Other Postretirement Benefits 2018
(millions)				
Fair value of plan assets	$ 725	$ 676	$ —	$ —
Benefit obligation	727	732	213	187
Funded status	$ (2)	$ (56)	$ (213)	$ (187)

Amounts recognized on the consolidated balance sheets were as follows:

At December 31,	Pension Benefits 2019	Pension Benefits 2018	Other Postretirement Benefits 2019	Other Postretirement Benefits 2018
(millions)				
Current liability	$ —	$ —	$ (12)	$ (10)
Noncurrent liability	(2)	(56)	(201)	(177)

Amounts recognized in accumulated other comprehensive loss were as follows:

At December 31,	Pension Benefits 2019	Pension Benefits 2018	Other Postretirement Benefits 2019	Other Postretirement Benefits 2018
(millions)				
Net actuarial loss	$ 2	$ 3	$ 2	$ —

Amounts recognized in regulatory assets were as follows:

At December 31,	Pension Benefits 2019	Pension Benefits 2018	Other Postretirement Benefits 2019	Other Postretirement Benefits 2018
(millions)				
Net actuarial loss	$ 125	$ 202	$ 28	$ 9
Prior service cost	—	1	—	—
Total	$ 125	$ 203	$ 28	$ 9

In connection with the joint ownership of Summer, costs related to pensions attributable to Santee Cooper as of December 31, 2019 and 2018 totaled $19 million and $25 million, respectively, and were recorded within deferred debits. Costs related to other postretirement benefits attributable to Santee Cooper as of December 31, 2019 and 2018 totaled $15 million and $12 million, respectively, and was recorded within deferred debits.

Changes in Fair Value of Plan Assets

Pension Benefits (millions)	2019	2018
Fair value of plan assets, January 1	$ 677	$ 781
Actual return (loss) on plan assets	149	(43)
Benefits paid	(21)	(61)
Settlements	(80)	—
Fair value of plan assets, December 31	$ 725	$ 677

Investment Policies and Strategies

The assets of the pension plan are invested in accordance with the objectives of (1) fully funding the obligations of the pension plan, (2) overseeing the plan's investments in an asset-liability framework that considers the funding surplus (or deficit) between assets and liabilities, and overall risk associated with assets as compared to liabilities, and (3) maintaining sufficient liquidity to meet benefit payment obligations on a timely basis. DESC uses a dynamic investment strategy for the management of the pension plan assets. This strategy will lead to a reduction in equities and an increase in long duration fixed income allocations over time with the intention of reducing volatility of funded status and pension costs.

The pension plan operates with several risk and control procedures, including ongoing reviews of liabilities, investment objectives, levels of diversification, investment managers and performance expectations. The total portfolio is constructed and maintained to provide prudent diversification with regard to the concentration of holdings in individual issues, corporations, or industries.

Transactions involving certain types of investments are prohibited. These include, except where utilized by a hedge fund manager, any form of private equity; commodities or commodity contracts (except for unleveraged stock or bond index futures and currency futures and options); ownership of real estate in any form other than publicly traded securities; short sales, warrants or margin transactions, or any leveraged investments; and natural resource properties. Investments made for the purpose of engaging in speculative trading are also prohibited.

The pension plan asset allocation at December 31, 2019 and 2018 and the target allocation for 2020 are as follows:

	Percentage of Plan Assets		
	Target Allocation	December 31,	
Asset Category	2020	2019	2018
Equity Securities	45%	64%	55%
Fixed Income	50%	35%	34%
Cash	5%	1%	—%
Hedge Funds	—%	—%	11%

For 2020, the expected long-term rate of return on assets will be 7%. In developing the expected long-term rate of return assumptions, management evaluates the pension plan's historical cumulative actual returns over several periods, considers the expected active and passive returns across various asset classes and assumes the target allocation is achieved. Management regularly reviews such allocations and periodically rebalances the portfolio when considered appropriate. Additional rebalancing may occur subject to funded status improvements as part of the dynamic investment strategy described previously.

Fair Value Measurements

Assets held by the pension plan are measured at fair value and are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. At December 31, 2019 and 2018, fair value measurements, and the level within the fair value hierarchy in which the measurements fall, were as follows:

At December 31, (millions)	2019	2018
Investments with fair value measure at Level 2:		
Mutual funds	$ 152	$ 99
Short-term investment vehicles	—	19
US Treasury securities	3	7
Corporate debt instruments	233	86
Government and other debt instruments	26	16
Total assets in the fair value hierarchy	414	227
Investments at net asset value:		
Common collective trust	311	373
Joint venture interests	—	77
Total investments	$ 725	$ 677

For all periods presented, assets with fair value measurements classified as Level 1 were insignificant, and there were no assets with fair value measurements classified as Level 3. There were no transfers of fair value amounts into or out of Levels 1, 2 or 3 during 2019 or 2018.

Mutual funds held by the plan are open-end mutual funds registered with the SEC. The price of the mutual funds' shares is based on its NAV, which is determined by dividing the total value of portfolio investments, less any liabilities, by the total number of shares outstanding. For purposes of calculating NAV, portfolio securities and other assets for which market quotes are readily available are valued at market value. Short-term investment vehicles are funds that invest in short-term fixed income instruments and are valued using observable prices of the underlying fund assets based on trade data for identical or similar securities. US Treasury securities are valued using quoted market prices or based on models using observable inputs from market sources such as external prices or spreads or benchmarked thereto. Corporate debt instruments and government and other debt instruments are valued based on recently executed transactions, using quoted market prices, or based on models using observable inputs from market sources such as external prices or spreads or benchmarked thereto. Common collective trust assets and limited partnerships are valued at NAV, which has been determined based on the unit values of the trust funds. Unit values are determined by the organization sponsoring such trust funds by dividing the trust funds' net assets at fair value by the units outstanding at each valuation date. Joint venture interests are invested in a hedge fund of funds partnership that invests directly in multiple hedge fund strategies that are not traded on exchanges and not traded on a daily basis. The valuation of such multi-strategy hedge fund of funds is estimated based on the NAV of the underlying hedge fund strategies using consistent valuation guidelines that account for variations that may influence their fair value.

Expected Cash Flows

Total benefits expected to be paid from the pension plan or company assets for the other postretirement benefits plan (net of participant contributions), respectively, are as follows:

Expected Benefit Payments

(millions)	Pension Benefits	Other Postretirement Benefits
2020	$ 70	$ 12
2021	37	12
2022	48	13
2023	46	13
2024	46	13
2025 - 2029	210	67

Pension Plan Contributions

The pension trust is adequately funded under current regulations. No contributions have been required since 1997, and as a result of closing the plan to new entrants and freezing benefit accruals at the end of 2023, no significant contributions to the pension trust are expected for the foreseeable future based on current market conditions and assumptions, nor is a limitation on benefit payments expected to apply.

Net Periodic Benefit Cost

Net periodic benefit cost is recorded utilizing beginning of the year assumptions. Disclosures required for these plans are set forth in the following tables.

Components of Net Periodic Benefit Cost

	Pension Benefits			Other Postretirement Benefits		
Year Ended December 31,	2019	2018	2017	2019	2018	2017
(millions)						
Service cost	$ 15	$ 17	$ 18	$ 3	$ 4	$ 4
Interest cost	28	29	32	9	8	9
Expected return on assets	(41)	(48)	(46)	—	—	—
Prior service cost amortization	—	—	1	—	—	—
Amortization of actuarial losses	11	11	14	—	—	1
Settlement loss	17	—	—	—	—	—
Curtailment	6	—	—	3	—	—
Net periodic benefit cost	$ 36	$ 9	$ 19	$ 15	$ 12	$ 14

In connection with regulatory orders, DESC recovers current pension costs through a rate rider that may be adjusted annually for retail electric operations or through cost of service rates for gas operations. For retail electric operations, current pension expense is recognized based on amounts collected through a rate rider, and differences between actual pension expense and amounts recognized pursuant to the rider are deferred as a regulatory asset (for under-collections) or regulatory liability (for over-collections) as applicable. In addition, DESC amortizes certain previously deferred pension costs. See Note 3.

Other changes in plan assets and benefit obligations recognized in other comprehensive income (net of tax) were as follows:

	Pension Benefits			Other Postretirement Benefits		
Year Ended December 31,	2019	2018	2017	2019	2018	2017
(millions)						
Current year actuarial (gain) loss	$ (1)	$ 1	$ —	$ 1	$ (1)	$ —

Other changes in plan assets and benefit obligations recognized in regulatory assets were as follows:

	Pension Benefits			Other Postretirement Benefits		
Year Ended December 31,	2019	2018	2017	2019	2018	2017
(millions)						
Current year actuarial (gain) loss	$ (51)	$ 41	$ (25)	$ 19	$ (26)	$ 7
Amortization of actuarial losses	(11)	(10)	(13)	—	(1)	(1)
Amortization of prior service cost	—	—	(1)	—	—	—
Settlement loss	(16)	—	—	—	—	—
Total recognized in regulatory assets	$ (78)	$ 31	$ (39)	$ 19	$ (27)	$ 6

Significant assumptions used in determining net periodic benefit cost:

	Pension Benefits			Other Postretirement Benefits		
Year Ended December 31,	2019	2018	2017	2019	2018	2017
Discount rate	3.57/4.38%	3.71%	4.22%	4.08/4.41%	3.74%	4.30%
Expected return on plan assets	7.00%	7.00%	7.25%	n/a	n/a	n/a
Rate of compensation increase	3.00%	3.00%	3.00%	n/a	n/a	n/a
Health care cost trend rate				6.60%	7.00%	6.60%
Ultimate health care cost trend rate				5.00%	5.00%	5.00%
Year achieved				2023	2023	2021

The estimated amounts to be amortized from regulatory assets into net periodic benefit cost in 2020 are as follows:

(millions)	Pension Benefits	Other Postretirement Benefits
Actuarial loss	$ 6	$ 1

Other postretirement benefit costs are subject to annual per capita limits pursuant to the plan's design. As a result, the effect of a one-percent increase or decrease in the assumed health care cost trend rate on total service and interest cost is not significant.

401(k) Retirement Savings Plan

SCANA sponsors a defined contribution plan in which eligible employees may defer up to 75% of eligible earnings subject to certain limits and may diversify their investments. DESC participates in this plan. Contributions are matched 100% up to 6% of an employee’s eligible earnings. The matching contributions made by DESC totaled $14 million in 2019, $20 million in 2018 and $23 million in 2017. Employee deferrals, matching contributions, and earnings on all contributions are fully vested and non-forfeitable.

12. COMMITMENTS AND CONTINGENCIES

As a result of issues generated in the ordinary course of business, DESC is involved in legal proceedings before various courts and is periodically subject to governmental examinations (including by regulatory authorities), inquiries and investigations. Certain legal proceedings and governmental examinations involve demands for unspecified amounts of damages, are in an initial procedural phase, involve uncertainty as to the outcome of pending appeals or motions, or involve significant factual issues that need to be resolved, such that it is not possible for DESC to estimate a range of possible loss. For such matters that DESC cannot estimate, a statement to this effect is made in the description of the matter. Other matters may have progressed sufficiently through the litigation or investigative processes such that DESC is able to estimate a range of possible loss. For legal proceedings and governmental examinations that DESC is able to reasonably estimate a range of possible losses, an estimated range of possible loss is provided, in excess of the accrued liability (if any) for such matters. Any accrued liability is recorded on a gross basis with a receivable also recorded for any probable insurance recoveries. Estimated ranges of loss are inclusive of legal fees and net of any anticipated insurance recoveries. Any estimated range is based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent DESC’s maximum possible loss exposure. The circumstances of such legal proceedings and governmental examinations will change from time to time and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on DESC’s financial position, liquidity or results of operations.

Environmental Matters

DESC is subject to costs resulting from a number of federal, state and local laws and regulations designed to protect human health and the environment. These laws and regulations affect future planning and existing operations. They can result in increased capital, operating and other costs as a result of compliance, remediation, containment and monitoring obligations.

From a regulatory perspective, DESC continually monitors and evaluates its current and projected emission levels and strives to comply with all state and federal regulations regarding those emissions. DESC participates in the SO_2 and NO_X emission allowance programs with respect to coal plant emissions and also has constructed additional pollution control equipment at its coal-fired electric generating plants. These actions are expected to address many of the rules and regulations discussed herein.

Air

CAA

The CAA, as amended, is a comprehensive program utilizing a broad range of regulatory tools to protect and preserve the nation's air quality. At a minimum, states are required to establish regulatory programs to address all requirements of the CAA. However, states may choose to develop regulatory programs that are more restrictive. Many of DESC's facilities are subject to the CAA's permitting and other requirements.

MATS

In February 2019, the EPA published a proposed rule to reverse its previous finding that it is appropriate and necessary to regulate toxic emissions from power plants. However, the emissions standards and other requirements of the MATS rule would remain in place as the EPA is not proposing to remove coal and oil-fired power plants from the list of sources that are regulated under MATS. Although litigation of the MATS rule and the outcome of the EPA's rulemaking are still pending, the regulation remains in effect and DESC is complying with the applicable requirements of the rule and does not expect any adverse impacts to its operations at this time.

Ozone Standards

The EPA published final non-attainment designations for the October 2015 ozone standard in June 2018. States have until August 2021 to develop plans to address the new standard. Until the states have developed implementation plans for the standard, DESC is unable to predict whether or to what extent the new rules will ultimately require additional controls. The expenditures required to implement additional controls could have a material impact on DESC's results of operations and cash flows.

ACE Rule

In July 2019, the EPA published the final rule informally referred to as the ACE Rule, as a replacement for the Clean Power Plan. The ACE Rule applies to existing coal-fired power plants. The final rule includes unit-specific performance standards based on the degree of emission reduction levels achievable from unit efficiency improvements to be determined by the permitting agency. The ACE Rule requires states to develop plans by July 2022 to implement these performance standards. These state plans must be approved by the EPA by January 2024. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina provide rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

Carbon Regulations

In August 2016, the EPA issued a draft rule proposing to reaffirm that a source's obligation to obtain a PSD or Title V permit for GHGs is triggered only if such permitting requirements are first triggered by non-GHG, or conventional, pollutants that are regulated by the New Source Review program, and to set a significant emissions rate at 75,000 tons per year of CO_2 equivalent emissions under which a source would not be required to apply BACT for its GHG emissions. Until the EPA ultimately takes final action on this rulemaking, DESC cannot predict the impact to their results of operations, financial condition and/or cash flows.

In December 2018, the EPA proposed revised Standards of Performance for Greenhouse Gas Emissions from New, Modified, and Reconstructed Stationary Sources. The proposed rule would amend the previous determination that the best system of emission reduction for newly constructed coal-fired steam generating units is no longer partial carbon capture and storage. Instead, the proposed revised best system of emission reduction for this source category is the most efficient demonstrated steam cycle (e.g., supercritical steam conditions for large units and subcritical steam conditions for small units) in combination with the best operating practices.

Oil and Gas NSPS

In August 2012, the EPA issued an NSPS impacting new and modified facilities in the natural gas production and gathering sectors and made revisions to the NSPS for natural gas processing and transmission facilities. These rules establish equipment performance specifications and emissions standards for control of VOC emissions for natural gas production wells, tanks, pneumatic controllers, and compressors in the upstream sector. In June 2016, the EPA issued another NSPS regulation, for the oil and natural gas sector, to regulate methane and VOC emissions from new and modified facilities in transmission and storage, gathering and boosting, production and processing facilities. All projects which commenced construction after September 2015 are required to comply with this regulation. In October 2018, the EPA published a proposed rule reconsidering and amending portions of the 2016 rule, including but not limited to, the fugitive emissions requirements at well sites and compressor stations. The amended portions of the 2016 rule were effective immediately upon publication. Until the proposed rule regarding reconsideration is final, DESC is implementing the 2016 regulation. DESC is still evaluating whether potential impacts on results of operations, financial condition and/or cash flows related to this matter will be material.

Water

The CWA, as amended, is a comprehensive program requiring a broad range of regulatory tools including a permit program to authorize and regulate discharges to surface waters with strong enforcement mechanisms. DESC must comply with applicable aspects of the CWA programs at its operating facilities.

Regulation 316(b)

In October 2014, the final regulations under Section 316(b) of the CWA that govern existing facilities and new units at existing facilities that employ a cooling water intake structure and that have flow levels exceeding a minimum threshold became effective. The rule establishes a national standard for impingement based on seven compliance options but forgoes the creation of a single technology standard for entrainment. Instead, the EPA has delegated entrainment technology decisions to state regulators. State regulators are to make case-by-case entrainment technology determinations after an examination of five mandatory facility-specific factors, including a social cost-benefit test, and six optional facility-specific factors. The rule governs all electric generating stations with water withdrawals above two MGD, with a heightened entrainment analysis for those facilities over 125 MGD. DESC has four facilities that are subject to the final regulations. DESC anticipates that it may have to install impingement control technologies at certain of these stations that have once-through cooling systems. DESC is currently evaluating the need or potential for entrainment controls under the final rule as these decisions will be made on a case-by-case basis after a thorough review of detailed biological, technology, cost and benefit studies. DESC is conducting studies and implementing plans as required by the rule to determine appropriate intake structure modifications at certain facilities to ensure compliance with this rule. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory framework in South Carolina provides rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

Effluent Limitations Guidelines

In September 2015, the EPA released a final rule to revise the ELG Rule. The final rule establishes updated standards for wastewater discharges that apply primarily at coal and oil steam generating stations. Affected facilities are required to convert from wet to dry or closed cycle coal ash management, improve existing wastewater treatment systems and/or install new wastewater treatment technologies in order to meet the new discharge limits. In April 2017, the EPA granted two separate petitions for reconsideration of the final ELG Rule and stayed future compliance dates in the rule. Also in April 2017, the U.S. Court of Appeals for the Fifth Circuit granted the EPA's request for a stay of the pending consolidated litigation challenging the rule while the EPA addresses the petitions for reconsideration. In September 2017, the EPA signed a rule to postpone the earliest compliance dates for certain waste streams regulations in the final ELG Rule from November 2018 to November 2020; however, the latest date for compliance for these regulations remains December 2023. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, as DESC expects that wastewater treatment technology retrofits will be required at Wateree generating station, the existing regulatory framework in South Carolina provides rate recovery mechanisms that could substantially mitigate any such impacts for DESC.

Exhibit C-1
Page 40 of 52

In December 2019, the EPA released proposed revisions to the ELG Rule that, if adopted, could extend the deadlines for compliance with certain standards at several facilities. While the impacts of this rule could be material to DESC's results of operations, financial condition and/or cash flows, the existing regulatory frameworks in South Carolina provide rate recovery mechanisms that could substantially mitigate any such impacts for the regulated electric utilities.

Waste Management and Remediation

The operations of DESC are subject to a variety of state and federal laws and regulations governing the management and disposal of solid and hazardous waste, and release of hazardous substances associated with current and/or historical operations. The CERCLA, as amended, and similar state laws, may impose joint, several and strict liability for cleanup on potentially responsible parties who owned, operated or arranged for disposal at facilities affected by a release of hazardous substances. In addition, many states have created programs to incentivize voluntary remediation of sites where historical releases of hazardous substances are identified and property owners or responsible parties decide to initiate cleanups.

From time to time, DESC may be identified as a potentially responsible party in connection with the alleged release of hazardous substances or wastes at a site. Under applicable federal and state laws, DESC could be responsible for costs associated with the investigation or remediation of impacted sites, or subject to contribution claims by other responsible parties for their costs incurred at such sites. DESC also may identify, evaluate and remediate other potentially impacted sites under voluntary state programs. Remediation costs may be subject to reimbursement under DESC's insurance policies, rate recovery mechanisms, or both. Except as described below, DESC does not believe these matters will have a material effect on results of operations, financial condition and/or cash flows.

DESC has four decommissioned MGP sites in South Carolina that are in various states of investigation, remediation and monitoring under work plans approved by, or under review by, the SCDHEC or the EPA. DESC anticipates that activities at these sites will continue through 2024 at an estimated cost of $10 million. In September 2018, DESC submitted an updated remediation work plan for one site to SCDHEC, which if approved, would increase costs by approximately $8 million. DESC expects to recover costs arising from the remediation work at all four sites through rate recovery mechanisms and as of December 31, 2019, deferred amounts, net of amounts previously recovered through rates and insurance settlements, totaled $23 million and are included in regulatory assets. Due to the uncertainty surrounding the other sites, DESC is unable to make an estimate of the potential financial statement impacts.

Ash Pond and Landfill Closure Costs

In April 2015, the EPA enacted a final rule regulating CCR landfills, existing ash ponds that still receive and manage CCRs, and inactive ash ponds that do not receive, but still store, CCRs. DESC currently has inactive and existing CCR ponds and CCR landfills subject to the final rule at 2 different facilities. This rule created a legal obligation for DESC to retrofit or close all of its inactive and existing ash ponds over a certain period of time, as well as perform required monitoring, corrective action, and post-closure care activities as necessary.

In December 2016, legislation was enacted that creates a framework for EPA- approved state CCR permit programs. In August 2017, the EPA issued interim guidance outlining the framework for state CCR program approval. The EPA has enforcement authority until state programs are approved. The EPA and states with approved programs both will have authority to enforce CCR requirements under their respective rules and programs. In September 2017, the EPA agreed to reconsider portions of the CCR rule in response to two petitions for reconsideration. In March 2018, the EPA proposed certain changes to the CCR rule related to issues remanded as part of the pending litigation and other issues the EPA is reconsidering. Several of the proposed changes would allow states with approved CCR permit programs additional flexibilities in implementing their programs. In July 2018, the EPA promulgated the first phase of changes to the CCR rule. Until all phases of the CCR rule are promulgated, DESC cannot forecast potential incremental impacts or costs related to existing coal ash sites in connection with future implementation of the 2016 CCR legislation and reconsideration of the CCR rule. In August 2018, the U.S. Court of Appeals for the D.C. Circuit issued its decision in the pending challenges of the CCR rule, vacating and remanding to the EPA three provisions of the rule. Until regulatory action is taken to incorporate the U.S. Court of Appeals for the D.C. Circuit's decision, DESC is unable to make an estimate of the potential financial statement impacts associated with any future changes to the CCR rule in connection with the court's remand.

Abandoned NND Project

DESC, on behalf of itself and as agent for Santee Cooper, entered into an engineering, construction and procurement contract with the Consortium in 2008 for the design and construction of the NND Project. DESC's ownership share in the NND Project is 55%. Various difficulties were encountered in connection with the project. The ability of the Consortium to adhere to established budgets and construction schedules was affected by many variables, including unanticipated difficulties encountered in connection with project engineering and the construction of project components, constrained financial resources of the contractors, regulatory, legal, training and construction processes associated with securing approvals, permits and licenses and necessary amendments to them within projected time frames, the availability of labor and materials at estimated costs and the efficiency of project labor. There were also contractor and supplier performance issues, difficulties in timely meeting critical regulatory requirements, contract disputes, and changes in key contractors or subcontractors. These matters preceded the filing for bankruptcy protection by the Consortium on March 29, 2017 (see Contractor Bankruptcy Proceedings below) and were the subject of comprehensive analyses performed by SCANA, DESC and Santee Cooper.

Santee Cooper decided to suspend construction on the NND Project, on July 31, 2017, and in light of this decision and based on the results of SCANA and DESC's analysis, SCANA and DESC determined to stop the construction of the units and to pursue recovery of costs incurred in connection with the construction under the abandonment provisions of the BLRA or through other means. This decision by SCANA became the focus of numerous legislative, regulatory and legal proceedings, and led to DESC recording pre-tax impairment charges in 2017 totaling approximately $1.1 billion (approximately $690 million after-tax). An additional pre-tax impairment loss was recorded in the first quarter of 2018 of approximately $4 million (approximately $3 million after-tax) in order to further reduce to estimated fair value the carrying value of nuclear fuel which had been acquired for use in the NND Project. These proceedings continued in 2018, and some of them remain unresolved and are described below under Claims and Litigation. On December 21, 2018, the South Carolina Commission issued the SCANA Merger Approval Order, which, among other things, limited recovery of capital costs related to the NND Project to $2.8 billion. As a result, DESC concluded that the NND Project capital costs exceeding the amounts established in the SCANA Merger Approval Order were probable of loss, regardless of whether the SCANA Combination was completed, and recorded an impairment charge of $1.4 billion ($870 million after-tax) in the fourth quarter of 2018.

On January 2, 2018, SCANA and Dominion Energy entered into the SCANA Merger Agreement and sought the consents and approvals from governmental entities and the shareholders of SCANA required to consummate the merger. After all consents and approvals were obtained, the SCANA Combination was effective January 1, 2019.

SCANA Merger Approval Order

In accordance with the terms of the South Carolina Commission's SCANA Merger Approval Order, DESC adopted the Plan-B Levelized Customer Benefits Plan, effective February 2019, whereby the average bill for a DESC residential electric customer approximates that which resulted from the legislatively-mandated temporary reduction that had been put into effect by the South Carolina Commission in August 2018. DESC also recorded a significant impairment charge in the fourth quarter of 2018, which charge resulted from its conclusion that NND Project capital costs exceeding the amount established in the SCANA Merger Approval Order were probable of loss, regardless of whether the SCANA Combination was completed. In addition, in the first quarter of 2019, DESC recorded the following charges and liabilities which arose from or are related to provisions in the SCANA Merger Approval Order.

- A charge of $105 million ($79 million after-tax) included within the Corporate and Other segment related to certain assets that had been constructed in connection with the NND Project for which DESC committed to forgo recovery.
- A regulatory liability for refunds and restitution of amounts previously collected from retail electric customers of $1.0 billion ($756 million after-tax), recorded as a reduction in operating revenue, which will be credited to customers over an estimated 11 years. In addition, a previously existing regulatory liability of $1.0 billion will be credited to customers over 20 years, which reflects amounts to be refunded to customers related to the monetization of guaranty settlement described in Note 3.
- A regulatory liability for refunds to natural gas customers totaling $2 million ($2 million after-tax).
- A tax charge of $194 million related to $258 million of regulatory assets for which DESC committed to forgo recovery.

Further, except for rate adjustments for fuel and environmental costs, DSM costs, and other rates routinely adjusted on an annual or biannual basis, DESC will freeze retail electric base rates at current levels until January 1, 2021.

The South Carolina Commission order also approved the removal of DESC's investment in certain transmission assets that have not been abandoned from BLRA capital costs. As of December 31, 2019, such investment in these assets included $345 million within utility plant, net and $37 million within regulatory assets, which amount represents certain deferred operating costs. The South Carolina Commission approved deferral of these operating costs related to the investment until recovery of the transmission capital costs and associated deferred operating costs is addressed in a future rate proceeding. DESC believes these transmission capital and deferred operating costs are probable of recovery; however, if the South Carolina Commission were to disallow recovery of or a reasonable return on all or a portion of them, an impairment charge up to the disallowed costs may be required.

Various parties filed petitions for rehearing or reconsideration of the SCANA Merger Approval Order. In January 2019, the South Carolina Commission issued an order (1) granting the request of various parties and finding that DESC was imprudent in its actions by not disclosing material information to the ORS and the South Carolina Commission with regard to costs incurred subsequent to March 2015 and (2) denying the petitions for rehearing or consideration as to other issues raised in the various petitions. The deadline to appeal the SCANA Merger Approval Order and the order on rehearing expired in April 2019, and no party has sought appeal.

On April 15, 2020, the South Carolina Commission issued an order vacating the portion of the SCANA Merger Approval Order requiring that new retail electric rates be implemented by January 1, 2021.

Claims and Litigation

The following describes certain legal proceedings involving DESC relating to events occurring before closing of the SCANA Combination. Dominion Energy intends to vigorously contest the lawsuits, claims and assessments which have been filed or initiated against DESC. No reference to, or disclosure of, any proceeding, item or matter described below shall be construed as an admission or indication that such proceeding, item or matter is material. For certain of these matters, and unless otherwise noted therein, DESC is unable to estimate a reasonable range of possible loss and the related financial statement impacts, but for any such matter there could be a material impact to its results of operations, financial condition and/or cash flows. For the matters for which DESC is able to reasonably estimate a probable loss, the Consolidated Balance Sheets include reserves of $492 million and insurance receivables of $6 million included within other receivables at December 31, 2019. During the twelve months ended December 31, 2019, the Consolidated Statements of Comprehensive Loss includes charges of $590 million ($444 million after-tax), included within the Corporate and Other segment. Based on events that have occurred subsequent to February 28, 2020, and as of the date of this filing, an additional reserve of $10 million is expected to be recorded in the first quarter of 2020 related to these matters.

Ratepayer Class Actions

In May 2018, a consolidated complaint against DESC, SCANA and the State of South Carolina was filed in the State Court of Common Pleas in Hampton County, South Carolina (the DESC Ratepayer Case). In September 2018, the court certified this case as a class action. The plaintiffs allege, among other things, that DESC was negligent and unjustly enriched, breached alleged fiduciary and contractual duties and committed fraud and misrepresentation in failing to properly manage the NND Project, and that DESC committed unfair trade practices and violated state anti-trust laws. The plaintiffs sought a declaratory judgment that DESC may not charge its customers for any past or continuing costs of the NND Project, sought to have SCANA and DESC's assets frozen and all monies recovered from Toshiba and other sources be placed in a constructive trust for the benefit of ratepayers and sought specific performance of the alleged implied contract to construct the NND Project.

In December 2018, the State Court of Common Pleas in Hampton County entered an order granting preliminary approval of a class action settlement and a stay of pre-trial proceedings in the DESC Ratepayer Case. The settlement agreement, contingent upon the closing of the SCANA Combination, provided that SCANA and DESC would establish an escrow account and proceeds from the escrow account would be distributed to the class members, after payment of certain taxes, attorneys' fees and other expenses and administrative costs. The escrow account would include (1) up to $2.0 billion, net of a credit of up to $2.0 billion in future electric bill relief, which would inure to the benefit of the escrow account in favor of class members over a period of time established by the South Carolina Commission in its order related to matters before the South Carolina Commission related to the NND Project, (2) a cash payment of $115 million and (3) the transfer of certain DESC-owned real estate or sales proceeds from the sale of such properties, which counsel for the DESC Ratepayer Class estimate to have an aggregate value between $60 million and $85 million. At the closing of the SCANA Combination, SCANA and DESC funded the cash payment portion of the escrow account. The court held a fairness hearing on the settlement in May 2019. In June 2019, the court entered an order granting final approval of the settlement, which order became effective July 2019. In July 2019, DESC transferred $117 million representing the cash payment, plus accrued interest, to the plaintiffs. In addition, property with a net recorded cost of $42 million is in the process of being transferred to the plaintiffs in coordination with the court-appointed real estate trustee to satisfy the settlement agreement.

In September 2017, a purported class action was filed by Santee Cooper ratepayers against Santee Cooper, DESC, Palmetto Electric Cooperative, Inc. and Central Electric Power Cooperative, Inc. in the State Court of Common Pleas in Hampton County, South Carolina (the Santee Cooper Ratepayer Case). The allegations are substantially similar to those in the DESC Ratepayer Case. The plaintiffs seek a declaratory judgment that the defendants may not charge the purported class for reimbursement for past or future costs of the NND Project. In March 2018, the plaintiffs filed an amended complaint including as additional named defendants certain then current and former directors of Santee Cooper and SCANA. In June 2018, Santee Cooper filed a Notice of Petition for Original Jurisdiction with the Supreme Court of South Carolina which was denied. In December 2018, Santee Cooper filed its answer to the plaintiffs' fourth amended complaint and filed cross claims against DESC. In October 2019, Santee Cooper voluntarily consented to stay its cross claims against DESC pending the outcome of the trial of the underlying case. In November 2019, DESC removed the case to the U.S. District Court for the District of South Carolina. In December 2019, the plaintiffs and Santee Cooper filed a motion to remand the case to state court. In January 2020, the case was remanded to state court. In March 2020, the parties executed a settlement agreement relating to this matter as well as the Luquire Case and the Glibowski Case described below. The settlement agreement provides that Dominion Energy and Santee Cooper will establish a fund for the benefit of class members in the amount of $520 million, of which Dominion Energy's portion is $320 million of shares of Dominion Energy common stock. Also in March 2020, the court granted preliminary approval for the settlement agreement. This case is pending.

In July 2019, a similar purported class action was filed by certain Santee Cooper ratepayers against DESC, SCANA, Dominion Energy and former directors and officers of SCANA in the State Court of Common Pleas in Orangeburg, South Carolina (the Luquire Case). In August 2019, DESC, SCANA and Dominion Energy were voluntarily dismissed from the case. The claims are similar to the Santee Cooper Ratepayer Case. In March 2020, the parties executed a settlement agreement as described above relating to this matter as well as the Santee Cooper Ratepayer Case and the Glibowski Case. This case is pending.

RICO Class Action

In January 2018, a purported class action was filed, and subsequently amended, against SCANA, DESC and certain former executive officers in the U.S. District Court for the District of South Carolina (the Glibowski Case). The plaintiff alleges, among other things, that SCANA, DESC and the individual defendants participated in an unlawful racketeering enterprise in violation of RICO and conspired to violate RICO by fraudulently inflating utility bills to generate unlawful proceeds. The DESC Ratepayer Class Action settlement described previously contemplates dismissal of claims by DESC ratepayers in this case against DESC, SCANA and their officers. In August 2019, the individual defendants filed motions to dismiss. In March 2020, the parties executed a settlement agreement as described above relating to this matter as well as the Santee Cooper Ratepayer Case and the Luquire Case. This case is pending.

SCANA Shareholder Litigation

In February 2018, a purported class action was filed against Dominion Energy and certain former directors of SCANA and DESC in the State Court of Common Pleas in Richland County, South Carolina (the Metzler Lawsuit). The plaintiff alleges, among other things, that defendants violated their fiduciary duties to shareholders by executing a merger agreement that would unfairly deprive plaintiffs of the true value of their SCANA stock, and that Dominion Energy aided and abetted these actions. Among other remedies, the plaintiff seeks to enjoin and/or rescind the merger. In February 2018, Dominion Energy removed the case to the U.S. District Court for the District of South Carolina and filed a Motion to Dismiss in March 2018. In August 2018, the case was remanded back to the State Court of Common Pleas in Richland County. Dominion Energy appealed the decision to remand to the U.S. Court of Appeals for the Fourth Circuit, where the appeal was consolidated with another lawsuit regarding the SCANA Merger Agreement to which

DESC is not a party. In June 2019, the U.S. Court of Appeals for the Fourth Circuit reversed the order remanding the case to state court. The case is pending in the U.S. District Court for the District of South Carolina.

Employment Class Actions and Indemnification

In August 2017, a case was filed in the U.S. District Court for the District of South Carolina on behalf of persons who were formerly employed at the NND Project. In July 2018, the court certified this case as a class action. In February 2019, certain of these plaintiffs filed an additional case, which case has been dismissed and the plaintiffs have joined the case filed in August 2017. The plaintiffs allege, among other things, that SCANA, DESC, Fluor Corporation and Fluor Enterprises, Inc. violated the Worker Adjustment and Retraining Notification Act in connection with the decision to stop construction at the NND Project. The plaintiffs allege that the defendants failed to provide adequate advance written notice of their terminations of employment and are seeking damages, which are estimated to be as much as $100 million for 100% of the NND Project.

In September 2018, a case was filed in the State Court of Common Pleas in Fairfield County, South Carolina by Fluor Enterprises, Inc. and Fluor Daniel Maintenance Services, Inc. against DESC and Santee Cooper. The plaintiffs make claims for indemnification, breach of contract and promissory estoppel arising from, among other things, the defendants' alleged failure and refusal to defend and indemnify the Fluor defendants in the aforementioned case. These cases are pending.

FILOT Litigation and Related Matters

In November 2017, Fairfield County filed a complaint and a motion for temporary injunction against DESC in the State Court of Common Pleas in Fairfield County, South Carolina, making allegations of breach of contract, fraud, negligent misrepresentation, breach of fiduciary duty, breach of implied duty of good faith and fair dealing and unfair trade practices related to DESC’s termination of the FILOT agreement between DESC and Fairfield County related to the NND Project. The plaintiff sought a temporary and permanent injunction to prevent DESC from terminating the FILOT agreement. The plaintiff withdrew the motion for temporary injunction in December 2017. This case is pending.

Governmental Proceedings and Investigations

In June 2018, DESC received a notice of proposed assessment of approximately $410 million, excluding interest, from the SCDOR following its audit of DESC’s sales and use tax returns for the periods September 1, 2008 through December 31, 2017. The proposed assessment, which includes 100% of the NND Project, is based on the SCDOR’s position that DESC’s sales and use tax exemption for the NND Project does not apply because the facility will not become operational. DESC has protested the proposed assessment, which remains pending.

In September and October 2017, SCANA was served with subpoenas issued by the U.S. Attorney’s Office for the District of South Carolina and the Staff of the SEC’s Division of Enforcement seeking documents related to the NND Project. In February 2020, the SEC filed a complaint against SCANA, two of its former executive officers and DESC in the U.S. District Court for the District of South Carolina alleging that the defendants violated federal securities laws by making false and misleading statements about the NND Project. In addition, the South Carolina Law Enforcement Division is conducting a criminal investigation into the handling of the NND Project by SCANA and DESC. These matters are pending. SCANA and DESC are cooperating fully with the investigations, including responding to additional subpoenas and document requests.

Other Litigation

In December 2018, arbitration proceedings commenced between DESC and Cameco Corporation related to a supply agreement signed in May 2008. This agreement provides the terms and conditions under which DESC agreed to purchase uranium hexafluoride from Cameco Corporation over a period from 2010 to 2020. Cameco Corporation alleges that DESC violated this agreement by failing to purchase the stated quantities of uranium hexafluoride for the 2017 and 2018 delivery years. DESC denies that it is in breach of the agreement and believes that it has reduced its purchase quantity within the terms of the agreement. This matter is pending.

In September 2019, a South Carolina state court jury awarded a judgment to the estate of Jose Larios in a wrongful death suit filed in June 2017 against DESC, of which DESC was apportioned $19 million. DESC holds general liability insurance coverage which is expected to provide payment for substantially all DESC's liability in this matter. In October 2019, DESC filed a motion requesting a reduction in the judgment or, in the alternative, a new trial. In November 2019, DESC's motion for a new trial was granted, setting aside the entire verdict amount. This matter is pending.

Contractor Bankruptcy Proceedings

Westinghouse's Reorganization Plan became effective August 1, 2018. Initially, Westinghouse had projected that its Reorganization Plan would pay in full or nearly in full its pre-petition trade creditors, including several of the Westinghouse Subcontractors which have alleged non-payment by the Consortium for amounts owed for work performed on the NND Project and have filed liens on related property in Fairfield County, South Carolina. DESC is contesting approximately $285 million of such filed liens. Most of these asserted liens are "pre-petition" claims that relate to work performed by Westinghouse Subcontractors before the Westinghouse bankruptcy, although some of them are "post-petition" claims arising from work performed after the Westinghouse bankruptcy. It is possible that the Reorganization Plan will not provide for payment in full or nearly in full to its pre-petition trade creditors. The shortfall could be significant. In addition, payments under the Toshiba Settlement are subject to reduction if Westinghouse pays Westinghouse Subcontractors holding pre-petition liens directly. Under these circumstances, DESC and Santee Cooper, each in its pro rata share, would be required to make Citibank, N.A., which purchased the scheduled payments under the Toshiba Settlement, whole for reductions related to valid subcontractor and vendor pre-petition liens up to $60 million ($33 million for DESC's 55% share).

DESC and Santee Cooper were responsible for amounts owed to Westinghouse for valid work performed by Westinghouse Subcontractors on the NND Project after the Westinghouse bankruptcy filing (i.e., post-petition) until termination of the IAA (the IAA Period). In the Westinghouse bankruptcy proceeding, deadlines were established for creditors of Westinghouse to assert the amounts owed to such creditors prior to the Westinghouse bankruptcy filing and during the IAA Period. Many of the Westinghouse Subcontractors have filed such claims. In December 2019, DESC and Santee Cooper entered into a confidential settlement agreement with W Wind Down Co LLC resolving claims relating to the IAA.

Further, some Westinghouse Subcontractors who have made claims against Westinghouse in the bankruptcy proceeding also filed against DESC and Santee Cooper in South Carolina state court for damages. The Westinghouse Subcontractor claims in South Carolina state court include common law claims for pre-petition work, IAA Period work, and work after the termination of the IAA. Many of these claimants have also asserted construction liens against the NND Project site. While DESC cannot be assured that it will not have any exposure on account of unpaid Westinghouse Subcontractor claims, which claims DESC is presently disputing, DESC believes it is unlikely that it will be required to make payments on account of such claims.

Nuclear Insurance

Under Price-Anderson, DESC (for itself and on behalf of Santee-Cooper) maintains agreements of indemnity with the U.S. Nuclear Regulatory Commission that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at Summer. Price-Anderson provides funds up to $14.0 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of $450 million by American Nuclear Insurers with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of commercial nuclear reactors. Each reactor licensee is liable for up to $138 million per reactor owned for each nuclear incident occurring at any reactor in the U.S., provided that not more than $21 million of the liability per reactor would be assessed per year. DESC's maximum assessment, based on its two-thirds ownership of Summer, would be $92 million per incident, but not more than $14 million per year. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years.

DESC currently maintains insurance policies (for itself and on behalf of Santee Cooper) with NEIL. The policies provide coverage to Summer for property damage and outage costs up to $2.75 billion resulting from an event of nuclear origin and up to $2.33 billion resulting from an event of a non-nuclear origin. The NEIL policies in aggregate, are subject to a maximum loss of $2.75 billion for any single loss occurrence. The NEIL policies permit retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, DESC's portion of the retrospective premium assessment would not exceed $24 million.

Exhibit C-1
Page 46 of 52

DESC currently maintains an excess property insurance policy (for itself and on behalf of Santee Cooper) with EMANI. The policy provides coverage to Summer for property damage and outage costs up to $415 million resulting from an event of a non-nuclear origin. The EMANI policy permits retrospective assessments under certain conditions to cover insurer's losses. Based on the current annual premium, DESC's portion of the retrospective premium assessment would not exceed $2 million.

To the extent that insurable claims for property damage, decontamination, repair and replacement and other costs and expenses arising from an incident at Summer exceed the policy limits of insurance, or to the extent such insurance becomes unavailable in the future, and to the extent that DESC's rates would not recover the cost of any purchased replacement power, DESC will retain the risk of loss as a self-insurer. DESC has no reason to anticipate a serious nuclear or other incident. However, if such an incident were to occur, it likely would have a material impact on DESC's results of operations, cash flows and financial position.

Spent Nuclear Fuel

The Nuclear Waste Policy Act of 1982 required that the United States government accept and permanently dispose of high-level radioactive waste and spent nuclear fuel by January 31, 1998, and it imposed on utilities the primary responsibility for storage of their spent nuclear fuel until the repository is available. DESC entered into a Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste with the DOE in 1983. As of December 31, 2019, the federal government has not accepted any spent fuel from Summer, and it remains unclear when the repository may become available. DESC has constructed an independent spent fuel storage installation to accommodate the spent nuclear fuel output for the life of Summer. DESC may evaluate other technology as it becomes available.

Long-Term Purchase Agreements

At December 31, 2019, DESC had the following long-term commitments that are noncancelable or cancelable only under certain conditions, and that a third party that will provide the contracted goods or services has used to secure financing.

(millions)	2020	2021	2022	2023	2024	Thereafter	Total
Purchased electric capacity(1)	$ 59	$ 58	$ 57	$ 57	$ 57	$ 661	$ 949

(1) Includes affiliated amounts with certain solar facilities of $234 million.

Commitments represent estimated amounts payable for energy under power purchase contracts with qualifying facilities which expire at various dates through 2046. Energy payments are generally based on fixed dollar amounts per month and totaled $37 million in 2019 and $24 million in 2018.

13. LEASES

At December 31, 2019, DESC had the following lease assets and liabilities recorded in the Consolidated Balance Sheet within the FERC accounts noted:

(millions) **Operating Leases**	Electric	Common	Total
Account 101.1 - Property Under Capital Lease	$ 9	$ -	$ 9
Account 118 - Other Utility Plant	-	14	14
Account 227 - Obligations Under Capital Lease - Noncurrent	(7)	(13)	(20)
Account 243 - Obligations under Capital Leases - Current	(2)	(1)	(3)

(millions) **Finance Leases**	Electric	Gas	Common	Nonutility	Total
Account 101.1 - Property Under Capital Lease	$ 19	$ -	$ -	$ -	$ 19
Account 118 - Other Utility Plant	-	1	2	-	3
Account 121 - Nonutility Property	-	-	-	6	6
Account 227 - Obligations Under Capital Lease - Noncurrent	(14)	(1)	(2)	(4)	(20)
Account 243 - Obligations under Capital Leases - Current	(4)	-	(1)	(2)	(8)

For the year ended December 31, 2019, total lease cost consisted of the following:

Year Ended December 31, (millions)	2019
Finance lease cost:	
Amortization	$ 7
Interest	1
Operating lease cost	4
Short-term lease cost	1
Total lease cost	$ 13

For the year ended December 31, 2019, cash paid for amounts included in the measurement of lease liabilities consisted of the following amounts, included in the Consolidated Statements of Cash Flows:

Year Ended December 31, (millions)	2019
Operating cash flows from finance leases	$ 1
Operating cash flows from operating leases	3
Financing cash flows from finance leases	7

At December 31, 2019, the weighted average remaining lease term and weighted average discount rate for finance and operating leases were as follows:

At December 31,	2019
Weighted average remaining lease term - finance leases	5 years
Weighted average remaining lease term - operating leases	18 years
Weighted average discount rate - finance leases	2.94%
Weighted average discount rate - operating leases	3.94%

Lease liabilities have the following scheduled maturities:

(millions)	Operating	Finance
2020	$ 4	$ 8
2021	3	7
2022	2	5
2023	2	4
2024	1	2
After 2024	23	3
Total undiscounted lease payments	35	29
Present value adjustment	(12)	(2)
Present value of lease liabilities	$ 23	$ 27

14. OPERATING SEGMENTS

In December 2019, DESC realigned its segments which resulted in the formation of a single primary operating segment. The historical information presented herein has been recast to reflect the current segment presentation.

The Corporate and Other Segment primarily includes specific items attributable to its operating segment that are not included in profit measures evaluated by executive management in assessing the segment's performance or in allocating resources.

In 2019, DESC reported after-tax net expenses of $1.6 billion for specific items in the Corporate and Other segment, all of which were attributable to its operating segment.

The net expense for specific items attributable to DESC's operating segment in 2019 primarily related to the impact of the following items:

- A $1.0 billion ($756 million after-tax) charge for refunds of amounts previously collected from retail electric customers for the NND Project;
- $590 million ($444 million after-tax) of charges associated with litigation;
- A $194 million tax charge for $258 million of income tax-related regulatory assets for which DESC committed to forgo recovery;
- A $114 million ($86 million after-tax) charge for utility plant primarily for which DESC committed to forgo recovery;
- $100 million ($76 million after-tax) of merger-related costs associated with the SCANA Combination, including a $79 million ($59 million after-tax) charge related to a voluntary retirement program; and
- $66 million tax charges for changes in unrecognized tax benefits.

In 2018, DESC reported after-tax net expenses of $917 million for specific items in the Corporate and Other segment, all of which were attributable to its operating segment.

The net expense for specific items attributable to DESC's operating segment in 2018 primarily related to a $1.4 billion ($870 million after-tax) impairment charge associated with the NND Project.

In 2017, DESC reported after-tax net expenses of $690 million for specific items in the Corporate and Other segment, all of which were attributable to its operating segment.

The net expense for specific items attributable to DESC's operating segment in 2017 related to a $1.1 billion ($690 million after-tax) impairment charge associated with the NND Project.

The following table presents segment information pertaining to DESC's operations:

Year Ended December 31,	Dominion Energy South Carolina	Corporate and Other	Consolidated Total
(millions)			
2019			
External revenue	$ 2,939	$ (1,008)	$ 1,931
Depreciation and amortization	432	(2)	430
Interest and related charges	237	13	250
Income tax expense (benefit)	151	(175)	(24)
Comprehensive income (loss) available (attributable) to common shareholder	408	(1,647)	(1,239)
Capital expenditures	471	—	471
Total assets (billions)	13.4	—	13.4

Exhibit C-1
Page 49 of 52

2018						
External revenue	$	2,763	$	(1)	$	2,762
Depreciation and amortization		307		—		307
Interest and related charges		294		(3)		291
Income tax expense (benefit)		89		(514)		(425)
Comprehensive income (loss) available (attributable) to common shareholder		304		(917)		(613)
Capital expenditures		612		—		612
Total assets (billions)		14.1		—		14.1
2017						
External revenue	$	3,070	$	—	$	3,070
Depreciation and amortization		293		—		293
Interest and related charges		273		—		273
Income tax expense (benefit)		249		(428)		(179)
Comprehensive income (loss) available (attributable) to common shareholder		505		(690)		(185)
Capital expenditures		898		—		898

15. UTILITY PLANT AND NONUTILITY PROPERTY

Major classes of utility plant and other property and their respective balances at December 31, 2019 and 2018 were as follows:

At December 31,		2019		2018
(millions)				
Gross utility plant:				
Generation	$	5,020	$	5,019
Transmission		1,905		1,758
Distribution		4,685		4,456
Storage		73		74
General and other		549		535
Intangible		230		228
Construction work in progress		316		337
Nuclear fuel		608		611
Total gross utility plant	$	13,386	$	13,018
Gross nonutility property	$	75	$	73

Jointly Owned Utility Plant

DESC jointly owns and is the operator of Summer. Each joint owner provides its own financing and shares the direct expenses and generation output in proportion to its ownership. DESC's share of the direct expenses of Summer is included in the corresponding operating expenses on its income statement. The units associated with the NND Project have been reclassified from construction work in progress to a regulatory asset as a result of the decision to stop their construction. See additional discussion at Note 3. In May 2019, DESC and Santee Cooper entered into an agreement in which DESC agreed to purchase 11.7% of Santee Cooper's ownership interest in the NND Project nuclear fuel, which will be used at Summer, for $8 million to true up the ownership percentage from the 55% ownership percentage that was applicable for the NND Project to the 66.7% ownership percentage applicable for Summer.

At December 31,	2019 Summer Unit 1	2018 Summer Unit 1
Percent owned	66.7%	66.7%
Plant in service	$ 1.4 billion	$ 1.5 billion
Accumulated depreciation	$ 684 million	$ 644 million
Construction work in progress	$ 79 million	$ 128 million

Included within other receivables on the balance sheet were amounts due to DESC from Santee Cooper for its share of direct expenses. These amounts totaled $50 million at December 31, 2019 and $46 million at December 31, 2018.

Sale of Warranty Service Contract Assets

In May 2019, DESC entered into an agreement to sell certain warranty service contract assets for total consideration of $7 million. The transaction closed in August 2019, resulting in a $7 million ($5 million after-tax) gain recorded in other income (expense), net in DESC's Consolidated Statements of Comprehensive Loss. Pursuant to the agreement, upon closing DESC entered into a service agreement with the buyer under which the buyer will compensate DESC in connection with the right to use DESC's brand in marketing materials and other services over a ten-year term.

16. AFFILIATED AND RELATED PARTY TRANSACTIONS

DESC owns 40% of Canadys Refined Coal, LLC, which is involved in the manufacturing and sale of refined coal to reduce emissions at certain of DESC's generating facilities. DESC accounts for this investment using the equity method. Purchases and sales of the related coal are recorded as other income (expense), net in the Consolidated Statements of Comprehensive Loss.

DESC purchases natural gas and related pipeline capacity from SCANA Energy Marketing, Inc. to service its retail gas customers and to satisfy certain electric generation requirements. These purchases are included within gas purchased for resale or fuel used in electric generation, as applicable in the Consolidated Statements of Comprehensive Loss.

DESC purchases all of the electric generation of Williams Station under a unit power sales agreement. Such unit power purchases are included in purchased power on the Consolidated Statements of Comprehensive Income (Loss).

DESS, on behalf of itself and its parent company, provides the following services to DESC, which are rendered at direct or allocated cost: information systems, telecommunications, customer support, marketing and sales, human resources, corporate compliance, purchasing, financial, risk management, public affairs, legal, investor relations, gas supply and capacity management, strategic planning, general administrative, and retirement benefits. In addition, DESS processes and pays invoices for DESC and is reimbursed. Costs for these services include amounts capitalized. Amounts expensed are primarily recorded in other operations and maintenance – affiliated suppliers and other income (expense), net in the Consolidated Statements of Comprehensive Loss.

Year Ended December 31,	2019	2018	2017
(millions)			
Purchases of coal from affiliate	$ 31	$ 53	$ 73
Sales of coal to affiliate	31	52	73
Purchases of fuel used in electric generation from affiliate	43	139	127
Direct and allocated costs from services company affiliate(1)	291	278	298
Operating Revenues – Electric from sales to affiliate	4	5	5
Operating Revenues – Gas from sales to affiliate	1	1	1
Operating Expenses – Other taxes from affiliate	6	6	5
Purchases of electric generation from affiliate	183	199	175

(1) Includes capitalized expenditures of $52 million, $40 million and $81 million for the years ended December 31, 2019, 2018 and 2017, respectively.

At December 31,	2019	2018
(millions)		
Receivable from Canadys Refined Coal, LLC	$ 2	$ 7
Payable to Canadys Refined Coal, LLC	2	7
Payable to SCANA Energy Marketing, Inc	—	14
Payable to DESS	72	36
Payable to Public Service Company of North Carolina, Incorporated	8	7
Payable to GENCO	10	9

In connection with the SCANA Combination, purchases from certain entities owned by Dominion Energy became affiliated transactions. During the year ended December 31, 2019, DESC purchased electricity generated by certain solar facilities, totaling $8 million, which is recorded as purchased power in the Consolidated Statements of Comprehensive Loss. At December 31, 2019, DESC had accounts payable balances to these affiliates totaling less than $1 million. In addition, during the year ended December 31, 2019, DESC incurred demand and transportation charges from DECG totaling $63 million, of which $19 million is recorded as fuel used in electric generation and $44 million is recorded as gas purchased for resale in the Consolidated Statements of Comprehensive Loss. At December 31, 2019, DESC had an accounts payable balance due to this affiliate totaling $5 million and an accounts receivable to this affiliate totaling $1 million.

Borrowings from an affiliate are described in Note 6. Certain disclosures regarding DESC's participation in SCANA's noncontributory defined benefit pension plan and unfunded postretirement health care and life insurance programs are included in Note 11.

17. OTHER INCOME (EXPENSE), NET

Components of other income (expense), net are as follows:

Year Ended December 31,	2019	2018	2017
(millions)			
Revenues from contracts with customers	$ 4	$ 5	$ —
Other income	19	141	45
Other expense	(57)	(28)	(32)
Allowance for equity funds used during construction	1	11	15
Other income (expense), net	$ (33)	$ 129	$ 28

The recording of revenue from contracts with customers within other income (expense) arose upon the adoption of related accounting guidance described in Note 1 and Note 4, and as permitted, periods prior to adoption have not been restated. Other income in 2018 includes gains from the settlement of interest rate derivatives of $115 million (see Note 8). Non-service cost components of pension and other postretirement benefits are included in other expense.

18. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest: $211 million and $251 million in 2019 and 2018, respectively (net of capitalized interest of $5 million and $9 million in 2019 and 2018, respectively).

Income taxes paid: $13 million and $1 million in 2019 and 2018, respectively.
Income taxes received: $0 million and $216 million in 2019 and 2018, respectively.

Noncash Investing and Financing Activities:
Accrued construction expenditures: $114 million and $63 million at December 31, 2019 and 2018, respectively.
Capital leases expenditures: $4 million of financing leases and $8 million of operating leases for the year ended December 31, 2019 and $8 million of capital leases for the year ended December 31, 2018.
Contributed construction: $- and $6 million for the years ended December 31, 2019 and 2018, respectively.

19. QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of DESC's quarterly results of operations for the years ended December 31, 2019 and 2018 follows. Amounts reflect all adjustments necessary in the opinion of management for a fair statement of the results for the interim periods. Results for interim periods may fluctuate as a result of weather conditions, changes in rates and other factors.

(millions)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2019				
Operating revenue	$ (335)	$ 698	$ 795	$ 771
Operating income (loss)	(1,156)	4	255	(84)
Comprehensive income (loss) available (attributable) to common shareholder	(1,109)	(78)	143	(195)
2018				
Operating revenue	$ 702	$ 632	$ 739	$ 689
Operating income (loss)	111	96	200	(1,283)
Comprehensive income (loss) available (attributable) to common shareholder	124	26	98	(861)

DESC's 2019 results include the impact of the following significant items:

- Fourth quarter results include a $240 million after-tax charge related to litigation.
- Second quarter results include a $75 million after-tax charge related to litigation and a $47 million after-tax charge related to a voluntary retirement program.
- First quarter results include a $756 million after-tax charge for refunds of amounts previously collected from retail electric customers for the NND Project, a $198 million tax charge for $264 million of income tax-related regulatory assets for which DESC committed to forgo recovery, a $118 million after-tax charge for a settlement agreement of a DESC ratepayer class action lawsuit and an $86 million after-tax charge for property, plant and equipment for which DESC committed to forgo recovery.

DESC's 2018 results include the impact of the following significant item:

- Fourth quarter results include a $870 million after-tax impairment charge related to the NND Project.

DOMINION ENERGY SOUTH CAROLINA, INC.
OPERATING EXPERIENCE - TOTAL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2019

Line No.	Description	Regulatory Per Books ($000's)	Pro-Forma Adjustments ($000's)	Total As Adjusted ($000's)
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	Operating Revenues	1,526,706	591,402	2,118,108
2	Operating Expenses			
3	O&M Expenses - Fuel	602,989	(12,647)	590,342
4	O&M Expenses - Other	576,105	17,137	593,242
5	Depreciation & Amortization Expenses	408,395	(99,469)	308,926
6	Taxes Other Than Income	211,565	26,555	238,120
7	Total Income Taxes	(39,627)	74,512	34,885
8	Total Operating Expenses	1,759,427	6,088	1,765,515
9	Operating Return	(232,721)	585,314	352,593
10	Customer Growth	-	1,151	1,151
11	Interest on Customer Deposits	(1,385)	-	(1,385)
12	Return	(234,106)	586,465	352,359
13	Rate Base			
14	Plant in Service	11,060,113	45,226	11,105,339
15	Reserve for Depreciation	4,557,095	207,958	4,765,053
16	Net Plant	6,503,018	(162,732)	6,340,286
17	Construction Work in Progress	277,697	287,432	565,129
18	Deferred Debits / Credits	(571,242)	91,137	(480,105)
19	Total Working Capital	(42,362)	19,580	(22,782)
20	Materials & Supplies	409,894	740	410,634
21	Accumulated Deferred Income Taxes	(923,131)	(19,140)	(942,271)
22	Total Rate Base	5,653,874	217,017	5,870,891
23	Rate of Return	-4.14%		6.00%

DOMINION ENERGY SOUTH CAROLINA, INC.
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2019

Line No.	Description	Retail As Adjusted ($000's)	Proposed Increase ($000's)	Total After Proposed Increase ($000's)
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	Operating Revenues	2,067,371	178,234	2,245,605
2	Operating Expenses			
3	O&M Expenses - Fuel	567,776		567,776
4	O&M Expenses - Other	579,519		579,519
5	Depreciation & Amortization Expenses	298,648		298,648
6	Taxes Other Than Income	233,015	893	233,908
7	Total Income Taxes	34,222	44,244	78,466
8	Total Operating Expenses	1,713,180	45,137	1,758,317
9	Operating Return	354,191	133,097	487,288
10	Customer Growth	1,151	433	1,584
11	Interest on Customer Deposits	(1,385)	-	(1,385)
12	Return	353,957	133,530	487,487
13	Rate Base			
14	Plant in Service	10,878,045	-	10,878,045
15	Reserve for Depreciation	4,659,205	-	4,659,205
16	Net Plant	6,218,840	-	6,218,840
17	Construction Work in Progress	551,793	-	551,793
18	Deferred Debits / Credits	(471,218)	-	(471,218)
19	Total Working Capital	(24,159)	-	(24,159)
20	Materials & Supplies	397,208	-	397,208
21	Accumulated Deferred Income Taxes	(923,814)	-	(923,814)
22	Total Rate Base	5,748,651	-	5,748,651
23	Rate of Return	6.16%		8.48%

*Note that certain totals may not foot due to rounding

DOMINION ENERGY SOUTH CAROLINA, INC.
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
12 MONTHS ENDED DECEMBER 31, 2019

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @21%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIAL & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	ANNUALIZE WAGES, BENEFITS & PAYROLL TAXES		(1,253)		(88)	67	267							(157)
2	INCENTIVE COMPENSATION ADJUSTMENT		(1,254)		(109)	68	272							(157)
3	ANNUALIZED HEALTH CARE		3,129			(156)	(624)							391
4	REMOVE EMPLOYEE CLUBS INVESTMENT AND EXPENSES			(137)		7	27	(5,601)	(2,487)					
5	ANNUALIZE DEPRECIATION BASED ON CURRENT RATES			8,340		(417)	(1,664)		7,852					
6	DEPRECIATION STUDY			7,120		(356)	(1,420)		7,120					
7	ANNUALIZE PROPERTY TAXES				14,257	(713)	(2,844)							
8	ANNUALIZE INSURANCE EXPENSE		(1,770)			89	353							(221)
9	CAPITAL COST RIDER ADJUSTMENT	624,526		(126,925)	3,116	37,417	101,197	(2,686)	(1,252)					
10	REMOVE AMOUNTS ASSOCIATED WITH DSM	(31,722)	(13,318)		(158)	(912)	(3,640)							(1,665)
11	ANNUALIZE OTHER POST EMPLOYMENT BENEFITS (OPEB)		264			(13)	(53)						(198)	33
12	ADJUST FUEL INVENTORY										(3,134)			
13	TO REMOVE SRS REFUND REVERSAL IMPACT FROM REVENUE	(900)			(4)	(45)	(179)							
14	NORMALIZE TEST YEAR PURCHASE POWER FROM GENCO		(12,647)			632	2,523							
15	GENCO EXCESS DEFERRED INCOME TAXES		(1,854)			93	370						(2,782)	
16	VOLUNTARY RETIREMENT PROGRAM		(3,384)		(208)	180	717							(423)
17	DOMINION ENERGY SERVICES EXPENSE		9,164			(458)	(1,828)							1,146
18	SYNERGY SAVINGS		(792)			40	158							(99)
19	STORM REMEDIATION COST DEFERRAL		8,780			(439)	(1,752)						26,357	1,098
20	STORM DAMAGE REMEDIATION RIDER REINSTATEMENT		9,840			(492)	(1,963)						(7,385)	1,230
21	TREE TRIMMING AND VEGETATION MANAGEMENT ACCRUAL		3,519			(176)	(702)							440
22	TURBINE MAJOR MAINTENANCE ACCRUAL		10,617			(531)	(2,118)							1,327
23	VCS OUTAGE ACCRUAL		71			(4)	(14)							9
24	DEFERRED TRANSMISSION			13,601	10,964	(1,228)	(4,901)						47,604	

DOMINION ENERGY SOUTH CAROLINA, INC.
ACCOUNTING & PRO FORMA ADJUSTMENTS
TOTAL ELECTRIC
OPERATING EXPERIENCE
12 MONTHS ENDED DECEMBER 31, 2019

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @21%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIAL & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
25	ADJUST TEST YEAR TAXES						(40,386)					(9,642)		
26	TAX REFORM REFUND			(489)		24	97						(734)	
27	AMORTIZE CAPACITY PURCHASES		(10,384)			519	2,072						1,068	
28	ENVIRONMENTAL COMPLIANCE STUDY		(95)			5	19							
29	KAPSTONE GAIN			(488)		24	97						(366)	
30	CRITICAL INFRASTRUCTURE PROTECTION COSTS DEFERRAL		4,373	543		(246)	(981)						14,757	547
31	FUKUSHIMA NUCLEAR REGULATORY COMMISSION REQUIREMENTS DEFERRAL		450			(22)	(90)						3,039	56
32	VCS CYBER SECURITY DEFERRAL		1,151	573		(86)	(344)						5,177	144
33	FACILITY CHARGE	(502)				(25)	(100)							
34	AMORTIZATION OF COLUMBIA & CHARLESTON FRANCHISE AGREEMENTS			(4,183)		209	835							
35	UNRECOVERED PLANT AMORTIZATION			397		(20)	(79)						1,192	
36	ADVANCED METERING INFRASTRUCTURE			2,334	592	(146)	(584)	18,727	2,155				537	
37	LOCAL BUSINESS OFFICES		(413)	(155)		28	113	(1,542)						(51)
38	RATE CASE EXPENSES		296			(15)	(59)							37
39	PSC SUPPORT FEES				(1,806)	90	360							
40	PROJECTED CAPITAL SPEND							36,328	194,570	287,432	3,874	(9,498)	2,871	15,895
41	TAX EFFECT OF ANNUALIZED INTEREST					(327)	(1,305)							
		591,402	**4,490**	**(99,469)**	**26,555**	**32,665**	**41,847**	**45,226**	**207,958**	**287,432**	**740**	**(19,140)**	**91,137**	**19,580**

*Note that certain totals may not foot due to rounding

DOMINION ENERGY SOUTH CAROLINA, INC.
OPERATING EXPERIENCE - RETAIL ELECTRIC
12 MONTHS ENDED DECEMBER 31, 2019

		($000's)		
Line No.	Description	Regulatory Per Books	Pro-Forma Adjustments	Total As Adjusted
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)
1	Operating Revenues	1,475,939	591,432	2,067,371
2	Operating Expenses			
3	O&M Expenses - Fuel	579,928	(12,152)	567,776
4	O&M Expenses - Other	562,624	16,895	579,519
5	Depreciation & Amortization Expenses	398,814	(100,166)	298,648
6	Taxes Other Than Income	206,906	26,109	233,015
7	Total Income Taxes	(41,376)	75,598	34,222
8	Total Operating Expenses	1,706,896	6,284	1,713,180
9	Operating Return	(230,957)	585,148	354,191
10	Customer Growth	-	1,151	1,151
11	Interest on Customer Deposits	(1,385)	-	(1,385)
12	Return	(232,342)	586,299	353,957
13	Rate Base			
14	Plant in Service	10,833,343	44,702	10,878,045
15	Reserve for Depreciation	4,455,451	203,754	4,659,205
16	Net Plant	6,377,891	(159,051)	6,218,840
17	Construction Work in Progress	270,243	281,550	551,793
18	Deferred Debits / Credits	(560,117)	88,899	(471,218)
19	Total Working Capital^	(27,682)	3,523	(24,159)
20	Materials & Supplies	396,489	719	397,208
21	Accumulated Deferred Income Taxes	(905,047)	(18,767)	(923,814)
22	Total Rate Base	5,551,777	196,874	5,748,651
23	Rate of Return	-4.19%		6.16%

*Note that certain totals may not foot due to rounding
^ Includes the Retail impact of Average Tax Accruals

DOMINION ENERGY SOUTH CAROLINA, INC.
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 21%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIAL & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
1	Annualize Wages, Benefits and Payroll Taxes		(1,223)		(86)	65	261							(153)
2	Incentive Compensation Adjustment		(1,224)		(106)	66	265							(153)
3	Annualized Health Care		3,054			(153)	(609)							382
4	Remove Employee Clubs Investment and Expenses			(134)		7	27	(5,487)	(2,436)					
5	Annualize Depreciation Based on Current Rates			8,153		(408)	(1,627)		7,675					
6	Depreciation Study			6,985		(349)	(1,393)		6,985					
7	Annualize Property Tax				13,964	(698)	(2,786)							
8	Annualize Insurance Expense		(1,734)			87	346							(217)
9	Capital Cost Rider Adjustment	624,526		(126,923)	3,116	37,417	101,197	(2,605)	(1,214)					
10	Remove Amounts Associated with DSM	(31,722)	(13,318)		(158)	(912)	(3,640)							(1,665)
11	Annualize Other Post Employment Benefits (OPEB)		258			(13)	(51)						(194)	32
12	Adjust Fuel Inventory					-	-				(3,012)			
13	To Remove SRS Refund Reversal Impact from Revenue	(870)			(4)	(43)	(173)							
14	Normalize Test Year Purchase Power from Genco		(12,152)			608	2,424							
15	Genco Excess Deferred Income Taxes		(1,798)			90	359						(2,698)	
16	Voluntary Retirement Program		(3,303)		(203)	175	700							(413)
17	Dominion Energy Services Expense		8,944			(447)	(1,784)							1,118
18	Synergy Savings		(773)			39	154							(97)
19	Storm Remediation Cost Deferral		8,780			(439)	(1,752)						26,357	1,097
20	Storm Damage Remediation Rider Reinstatement		9,840			(492)	(1,963)						(7,385)	1,230
21	Tree Trimming and Vegetation Management Accrual		3,519			(176)	(702)							440
22	Turbine Major Maintenance Accrual		10,295			(515)	(2,054)							1,287
23	VCS Outage Accrual		69			(3)	(14)							9
24	Deferred Transmission			13,167	10,739	(1,195)	(4,769)						46,086	
25	Adjust Test Year Taxes					-	(39,558)					(9,445)		

DOMINION ENERGY SOUTH CAROLINA, INC.
ACCOUNTING & PRO FORMA ADJUSTMENTS
RETAIL ELECTRIC
OPERATING EXPERIENCE

ADJ. #	DESCRIPTION	REVENUES	O & M EXPENSES	DEPREC. & AMORT. EXPENSE	TAXES OTHER THAN INCOME	STATE INCOME TAX @ 5%	FEDERAL INCOME TAX @ 21%	PLANT IN SERVICE	ACCUM. DEPREC.	CWIP	MATERIAL & SUPPLIES	ADIT	DEFERRED DBT/CRDT	WORKING CAPITAL
26	Tax Reform Refund			(489)		24	98						(734)	
27	Amortize Capacity Purchases		(10,070)			503	2,009						1,036	
28	Environmental Compliance Study		(92)			5	18							
29	Kapstone Gain			(473)		24	94						(355)	
30	Critical Infrastructure Protection Costs Deferral		4,234	526		(238)	(950)						14,290	529
31	Fukushima Nuclear Regulatory Commission Requirements Deferral		436			(22)	(87)						2,947	55
32	VCS Cyber Security Deferral		1,116	556		(84)	(334)						5,020	140
33	Facility Charge	(502)				(25)	(100)							
34	Amortization of Columbia & Charleston Franchise Agreements			(4,097)		205	817							
35	Unrecovered Plant Amortization			385		(19)	(77)						1,156	
36	Advanced Metering Infrastructure			2,334	592	(146)	(584)	18,727	2,155				537	
37	Local Business Offices		(413)	(155)		28	113	(1,542)						(52)
38	Rate Case Expenses		296			(15)	(59)							37
39	PSC Support Fees				(1,745)	87	348							
40	Projected Capital Spend					-	-	35,584	190,581	281,539	3,728	(9,304)	2,839	15,620
41	Tax Effect of Annualized Interest					(320)	(1,278)							
	Total	591,433	4,742	(100,166)	26,109	32,717	42,887	44,677	203,747	281,539	716	(18,748)	88,902	19,227

*Note that certain totals may not foot due to rounding

DOMINION ENERGY SOUTH CAROLINA, INC.
COMPUTATION OF PROPOSED INCREASE
RETAIL ELECTRIC OPERATIONS
12 MONTHS ENDED DECEMBER 31, 2019

Line No.	Description (Col. 1)	Requested ($000's) (Col. 2)
1	Jurisdictional Rate Base	5,748,651
2	Required Rate of Return	8.48%
3	Required Return	487,486
4	Actual Return Earned	353,957
5	Required Increase to Return	133,529
6	Factor to Remove Customer Growth	1.003250
7	Additional Return Required from Revenue Increase	133,096
8	Composite Tax Factor	0.74675
9	Required Revenue Increase	178,234
10	Proposed Revenue Increase	178,234
	Additional Expenses	
11	Gross Receipts Tax @ .004989	889
12	State Income Tax @ 5%	8,867
13	Federal Income Tax @ 21%	35,380
14	Total Taxes	45,137
15	Additional Return	133,097
16	Additional Customer Growth	433
17	Total Additional Return	133,530
18	Earned Return	353,957
19	Total Return as Adjusted	487,487
20	Rate Base	5,748,651
21	Rate of Return	8.48%

DOMINION ENERGY SOUTH CAROLINA, INC.
STATEMENT OF FIXED ASSETS - ELECTRIC
AS OF DECEMBER 31, 2019

		($000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
	Gross Plant in Service				
1	Intangible Plant	83,296	-	83,296	81,591
2	Production	5,043,689	(2,686)	5,041,003	4,888,059
3	Transmission	1,904,740	-	1,904,740	1,844,363
4	Distribution	3,509,310	18,727	3,528,037	3,527,019
5	General	201,907	(30,681)	171,226	167,722
6	Common	317,171	59,866	377,037	369,290
7	Total Gross Plant in Service	11,060,113	45,226	11,105,339	10,878,045
	Construction Work in Progress				
8	Production	165,013	-	165,013	160,007
9	Transmission	70,414	-	70,414	68,182
10	Distribution	32,201	-	32,201	32,192
11	General	6,237	287,432	293,669	287,659
12	Common	3,832	-	3,832	3,754
13	Total Construction Work in Progress	277,697	287,432	565,129	551,793

*Note that certain totals may not foot due to rounding

DOMINION ENERGY SOUTH CAROLINA, INC.
STATEMENT OF DEPRECIATION RESERVES - ELECTRIC
AS OF DECEMBER 31, 2019

Line No.	Description	Regulatory Per Books	($000's) Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Production	2,640,512	2,331	2,642,843	2,562,659
2	Transmission	464,200	6,478	470,678	455,672
3	Distribution	1,140,496	7,287	1,147,783	1,147,446
4	General & Intangible Plant	155,944	194,601	350,545	343,371
5	Common	155,943	(2,739)	153,204	150,055
6	Total	4,557,095	207,958	4,765,053	4,659,205

*Note that certain totals may not foot due to rounding

DOMINION ENERGY SOUTH CAROLINA, INC.
MATERIALS AND SUPPLIES - ELECTRIC
AS OF DECEMBER 31, 2019

		($000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Nuclear	194,481	2,487	196,968	189,259
2	Fossil	61,954	(2,050)	59,904	57,559
3	Total Fuel Stock	256,435	437	256,872	246,818
4	Emission Allowances	627	-	627	608
5	Other Electric Materials and Supplies	152,832	303	153,135	149,781
6	Total	409,894	740	410,634	397,208

DEFERRED DEBITS / CREDITS - ELECTRIC
AS OF DECEMBER 31, 2019

Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
7	Other Post Employment Benefit	(122,254)	(544)	(122,798)	(119,974)
8	Deferred Environmental Costs	(450)	-	(450)	(445)
9	Tax Deferrals	(562,441)	6,158	(556,283)	(544,878)
10	Wateree Scrubber Deferral	16,489	(199)	16,290	15,796
11	Plant Retirements	60,836	(1,178)	59,658	57,848
12	Pension Deferral	36,578	(373)	36,205	35,335
13	GENCO Excess Deferred Income Taxes		(2,782)	(2,782)	(2,698)
14	Deferred Transmission		47,604	47,604	46,086
15	Amortize Capacity Purchases		1,068	1,068	1,036
16	Kapstone Gain		(366)	(366)	(355)
17	Advanced Metering Infrastructure		537	537	537
18	VCS Cyber Security Deferral		5,177	5,177	5,020
19	Fukushima Nuclear Regulatory Commission Requirements Deferral		3,039	3,039	2,947
20	Critical Infrastructure Protection Costs Deferral		14,757	14,757	14,289
21	Tax Reform Refund		(734)	(734)	(734)
22	Storm Remediation	-	18,973	18,973	18,973
23	Total	(571,242)	91,137	(480,105)	(471,218)

*Note that certain totals may not foot due to rounding

DOMINION ENERGY SOUTH CAROLINA, INC.
WORKING CAPITAL INVESTMENT - ELECTRIC
AS OF DECEMBER 31, 2019

		($000's)			
Line No.	Description	Regulatory Per Books	Adjustments	As Adjusted	Allocated to Retail
	(Col. 1)	(Col. 2)	(Col. 3)	(Col. 4)	(Col. 5)
1	Working Cash	111,072	3,684	114,756	111,424
2	Prepayments	59,874	(1,537)	58,337	58,205
3	Total Investor Advanced Funds	170,946	2,147	173,093	169,629
4	Less: Customer Deposits	(52,440)	643	(51,797)	(51,797)
5	Average Tax Accruals	(145,045)	15,301	(129,744)	(128,083)
6	Nuclear Refueling	(8,049)	973	(7,076)	(6,799)
7	Injuries and Damages	(7,774)	516	(7,258)	(7,109)
8	Total Working Capital	(42,362)	19,580	(22,782)	(24,159)

DOMINION ENERGY SOUTH CAROLINA, INC.
WEIGHTED COST OF CAPITAL
RETAIL ELECTRIC OPERATIONS
AS OF DECEMBER 31, 2019

Regulatory Capitalization for Electric Operations as of December 31, 2019

			As Adjusted		After Proposed Increase	
Description (Col. 1)	Pro Forma Amount (1) (Col. 2) $	Pro Forma Ratio (Col. 3) %	Pro Forma Embedded Cost/Rate (Col. 4) %	Overall Cost/Rate (Col. 5) %	Pro Forma Embedded Cost/Rate (Col. 6) %	Overall Cost/Rate (Col. 7) %
Long Term Debt	3,355,787,000	46.65%	6.46%	3.01%	6.46%	3.01%
Preferred Stock	100,000	0.00%	0.00%	0.00%	0.00%	0.00%
Common Equity	3,837,419,946	53.35%	5.90%	3.15%	10.25%	5.47%
Total	7,193,306,946	100.00%		6.16%		8.48%

(1) Amount includes changes to Common Equity through May 31, 2020